Austria ... Sch 20	Indonesia .. Rp 2500	Portugal .... Esc 90
Bahrain .. Din 0.650	Italy ..... L 1500	S Arabia .. Rls 6.00
Belgium BFr.45	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ..... Pta 125
Cyprus ... C£0.70	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. DKr 8.00	Lebanon . £L 25.00	Sweden .. SKr 7.00
Egypt .... E£1.00	Luxembourg . LFr 45	Switzerland SFr 2.20
Finland . Fmk 6.50	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey ..... L 250
Greece ... Dr 80	Netherlands Fl 2.75	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. NKr. 7.00	U.S.A. ... $1.00
India .... Rup 15	Philippines . Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,946 Thursday June 5 1986 D 8523 B

West Germans shun a nuclear white elephant, Page 18

World news | Business summary

Widow of Gandhi assassin leads raid

Sikh militants led by the widow of one of Indira Gandhi's assassins slashed to death a volunteer guard and injured many others in Amritsar during a rampage through the Sikhs' holiest shrine, the Golden Temple.

About 200 militants occupied the temple for 15 minutes before security forces stormed into the shrine to restore order, arresting nearly 150 people.

The violence marred a day when Prime Minister Rajiv Gandhi made a breakthrough in his attempt to restore peace to the Punjab with the resignation of a hardline Hindu minister. **Earlier story, Page 4**

Part-timers backed

European Court of Justice has ruled that part-time workers in the European Community have the same right to work and live in other member states as people in full-time jobs. **Page 3**

Heroin haul

Dutch police said they had made Europe's biggest heroin seizure after finding more than a fifth of a tonne of the drug, with a street value of $20m, in the port of Rotterdam.

Governor resigns

Prime Minister Shimon Peres accepted the resignation of Bank of Israel governor Moshe Mandelbaum, who was forced to quit over a 1983 Tel Aviv stock exchange crash.

Grip tightens

Shia Moslems tightened a ring of steel around embattled Palestinian camps after crushing a rival Lebanese faction in west Beirut's heaviest street fighting for six months. **Page 4**

ANC members shot

Two members of the African National Congress and a third unidentified person were shot dead near Swaziland's capital, Mbabane.

Tax cuts backed

Margaret Thatcher, UK Prime Minister, attacked critics advocating higher public spending instead of tax cuts. **Page 8**

Build-up defended

President Reagan, increasing pressure on Congress to continue to pay for his five-year military build-up, said the US had a moral duty to support fully its armed forces.

Tamils blast dam

Tamil separatist guerrillas blew up a dam to cover their retreat after attacking a strategic army base near the Jaffna Peninsula in northern Sri Lanka.

Waldheim 'vindicated'

A spokesman for Dr Kurt Waldheim, the leading candidate in Austria's presidential election on Sunday, said Dr. Waldheim had been "vindicated" following a statement by an Israeli minister that there was not enough evidence to substantiate allegations that he had actively participated in war crimes. **Page 2**

Leader quits

Ulf Adelsohn, leader of Sweden's opposition Conservative Party, resigned, saying he was not really suited to the job. **Page 3**

Meetings blocked

Police blocked a series of meetings called by the Nigerian Labour Congress to protest against police killings of students, and at least 10 NLC officials were detained.

Donors by law

Belgian parliament voted 145-31 for a new law under which all dead people will be considered transplant donors unless they have officially indicated to the contrary.

French near deal on control of Valéo

VALEO: Italian industrialist Carlo De Benedetti looks set to win management control of the leading French car components group, but Paris will try to limit his stake to 20 per cent. **Page 18**

TOKYO: Issues rallied to new peaks, and the Nikkei average hit a record 16,802.75, up 133.21. **Page 42**

WALL STREET: At 3pm the Dow Jones industrial average was 11.71 lower at 1,858.72. **Page 42**

LONDON: Equities rose despite fresh fund-raising operations, and gilts managed to advance. The FT Ordinary share index edged 0.2 higher to 1,320.6 while the FT-SE 100 was 0.8 down at 1,601.4. **Page 42**

DOLLAR rose in London to DM 2.2780 (DM 2.2740), SFr 1.8845 (SFr 1.8790) and FFr 7.2525 (FFr 7.24), but fell to Y171.35 (Y171.55). On Bank of England figures the dollar's index was unchanged at 117.3. **Page 35**

STERLING fell in London to close at $1.4835. It also fell to DM 3.38 (DM 3.395), FFr 10.76 (FFr 10.8125), SFr 2.7950 (SFr 2.8050) and Y254.25 (Y256.25). The pound's exchange-rate index fell 0.4 to 75.7. **Page 35**

GOLD fell $0.75 to $341 on the London bullion market. It also fell in Zurich to $340.85 from $342.35. **Page 34**

UNITED Breweries, Danish producer of Carlsberg and Tuborg lagers, said first-half sales revenues were up 12 per cent, mainly from acquisitions, and operating profits were ahead. **Page 19**

COMPUTERLAND founder William H. Millard plans to sell his 96 per cent stake in the computer retail franchise company. **Page 19**

WELLA, West German hair-care group which has a large foreign sales base, reports a fall of almost 10 per cent in net profits for the first quarter of 1986 to DM 33.3m ($14.6m). **Page 19**

NORSK HYDRO, Norwegian industrial and energy group, is understood to be considering a counter-bid for Saga Petroleum, Norwegian independent oil company recently involved in merger talks with Elf Aquitaine Norge, offshoot of the French concern. **Page 19**

MAN COMMERCIAL Vehicles, West Germany's second-largest heavy truck producer, and Volkswagen, the car group, have renegotiated their medium-truck joint venture which has so far failed to live up to expectations. **Page 19**

BIOGEN and Genentech, US West Coast biotechnology companies, have both received clearance to sell their respective versions of interferon – the anti-cancer agent – in the US. **Page 19**

HUNGARY faces extra losses of up to $340m in exports to the West this year because of falling oil and gas prices. **Page 2**

BANK of Israel governor Moshe Mandelbaum resigned after a state commission blamed him and others for the 1983 Tel Aviv stock exchange crash.

TOSHIBA, Japanese consumer electronics group, blamed a 31 per cent fall in consolidated net profits to Y59.44bn ($346m) on a recession in the semiconductor business and the yen's rise. **Page 22**

EXXON, the leading US oil group, said 6,200 of its 40,500 US employees had agreed to leave under a voluntary resignation scheme announced on April 22. **Page 19**

US STEEL and Armco, two of the biggest American steelmakers, are to combine their loss-making oilfield supply and service operations, producing a single unit with annual sales of close to $1bn. **Page 19**

Australia survey

We regret that the article on the economy in today's survey on Australia has appeared in an incomplete form as a result of production difficulties. A corrected version of the complete article is on page 12 of today's issue.

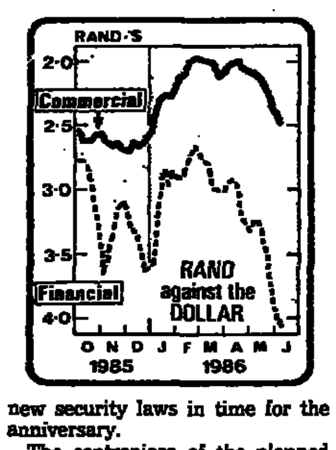
Pretoria's ban on all meetings fuels fears over Soweto

BY PATTI WALDMEIR IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday imposed a total ban on public meetings to commemorate the 10th anniversary on June 16 of the riots in the black township of Soweto.

The ban raises the prospect of clashes between security forces and anti-apartheid groups which had planned mass protests to mark the most important date on the black political calendar.

South Africa's financial rand, meanwhile, fell to a new low on foreign exchange markets, reflecting declining investor confidence. It dropped below 24 US cents, a 42 per cent discount on the commercial rand.



The ban on meetings took effect immediately and will remain in force until June 30. It was condemned yesterday by anti-apartheid activists, who predicted that violent confrontations could result. Anti-apartheid groups have called for mass demonstrations, including a one-day general strike, to mark the death of 575 blacks at the hands of police after a black schoolchildren's up rising in the township near Johannesburg in 1976.

Mr Louis Le Grange, the Minister for Law and Order, appeared to have taken the surprise step because of delays in enacting tough new security laws in time for the anniversary.

The centrepiece of the planned campaign of strikes, demonstrations and commemorative rallies was to ahve been a mass protest gathering at Soweto's Jabulani stadium expected to draw tens of thousands.

Under the ban, no indoor gathering, apparently including church services, can be held to mark either the Soweto uprising or the anniversary of the adoption of the so-called freedom charter on June 26 1955. Outdoor gatherings were already outlawed. The freedom charter, which outlines the shape of a post-apartheid South Africa, has been endorsed by the banned African National Congress and the multiracial United Dmeocratic Front.

Micheael Holman writes: The seven-member Commonwealth "eminent persons group" met yesterday in London to prepare its report on efforts to initiate talks between blacks and whites in South Africa. The group had before them a letter sent in the past week by the South African Government thought to offer a conditional release for the detained ANC leader, Mr Nelson Mandela, and inviting the group back to South Africa for further discussions.

Commonwealth officials would not comment on the suggestion that the letter was seeking an assurance that police action to curb demonstrations in the wake of Mr Mandela's release would not be used as grounds for economic sanctions.

Should their report, due to be discussed by Commonwealth leaders at a mini-summit in London early in August, advise against further negotiations with Pretoria, the summit is expected to consider new economic measures against South Africa.

Investor fears, Page 4; Editorial comment, Page 16

Airbus faces challenge from new Boeing 737

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

BOEING, the US aircraft manufacturer, is to develop a new version of its best-selling jet, the 737 twin-engined short-range airliner, in a move which will intensify its battle in world markets with Airbus Industrie of Western Europe.

Boeing' decision to go ahead with the new aircraft – the Series 400 – was announced yesterday when the company won a $750m order for 25 of the jets from Piedmont, a US domestic airline. Piedmont has taken options on a further 30 aircraft which, if converted to firm orders, would bring the value of the deal to $1.9bn.

The price of a 737-400 is about $30m, but spares are also included in the Piedmont deal. Further 737-400 orders are under negotiation in the US and Western Europe.

The 737-400 will have a longer fuselage than the highly successful 737-300 and will seat up to 150 passengers. It will directly rival the Airbus A-320, under development for the airliner markets of the next decade. Both aircraft will enter service in late 1988.

The 737-400 will cost an estimated $50m to develop, against $1.5bn to $2bn for the A-320.

Boeing stressed that the 737-400 was not a panic measure to meet Airbus A-320 competition but was aimed at meeting the needs of those airlines which already used the 737 but wanted a bigger aircraft. It was for airlines that did not want to commit themselves to the A-320, preferring to wait until the more advanced technology Boeing 7J7 prop-fan airliner arrives in 1992.

The prop-fan is a revolutionary form of power-plant that gives up to 40 per cent better fuel consumption over existing jet-engines. It is now under development in various forms by General Electric, Pratt & Whitney and Allison in the US and Rolls-Royce in the UK.

Apart from airlines seeking another version of the 737 before the arrival of the prop-fan 7J7, Boeing believes many existing 737 users will want to go on operating the smaller, cheaper aircraft.

As a result, Boeing foresees an eventual market for several hundred 737-400s. With more than 1,600 firm orders for 737s in all versions to date, the aircraft could eventually become the world's best-selling

Continued on Page 18

£686m UK stores takeover

BY LIONEL BARBER AND CLIVE WOLMAN IN LONDON

THE DEE Corporation of Britain yesterday announced that it is to acquire the Fine Fare and Shoppers Paradise supermarket chains from Associated British Foods for £686m. The deal will make Dee the UK's third largest food retailer through its Gateway, International and Carrefour stores.

The acquisition is to be partially financed by raising £350m ($519m) of equity through a vendor placing of shares, the UK's largest vendor placing and the company's third in 19 months. The terms of the share issue have led to a fierce dispute between institutional investors about the rights of a company's shareholders to participate in fresh financings.

Vendor placings, by which some shares are sold to outside investors, have aroused controversy because they usually dilute the stakes of existing shareholders.

Mr John McLachlan, chairman of the investment committee of the National Association of Pension Funds (NAPF), said last night: "We have not liked the cavalier way in which Dee has been treating its shareholders."

The dispute erupted on Tuesday when the stockbroking firm Rowe and Pitman, which is placing the deal, approached the company's largest shareholders. At least two City of London institutions, the Prudential Assurance Company and M & G Investment Management objected strongly, forcing a revision in the terms to give existing shareholders the right to apply for 75 per cent of the newly issued shares.

Under the original terms, their rights would have been limited to 25 per cent.

Mr Paddy Linacre, M & G's managing director, explained that the issue was assuming particular importance with the deregulation of the stock market in October after which financial conglomerates may offer to buy an entire issue of new shares and sell them on to outside investors.

Two other institutions however, the merchant banks Morgan Grenfell and S.G. Warburg, objected to the alteration in the terms. They said it treated existing shareholders too favourably because they will be able to assess the likely success of the issue before deciding whether to exercise their rights.

The controversy over vendor placings has been simmering for some time. The NAPF and other investment institutions objected earlier this year to stock exchange proposals to relax some of the rules on the size of vendor placings.

The issue has been particularly sensitive in the case of Dee and the way the company has financed its recent expansion. In November 1984 it increased its share capital by 55 per cent through a vendor placing to raise £180m needed to buy International Stores.

Three months ago it raised a further £278m through a second vendor placing which increased share capital by a further 34 per cent to purchase Herman Sporting Goods, the US retail group.

When the Fine Fare deal is completed, more than half of Dee's total shares will have been issued through vendor placings. The placing is being underwritten by Lazard Brothers and Swiss Bank Corporation International, one of the first occasions a European bank has entered the lucrative London underwriting market.

Lex, Page 18; Analysis, Page 26

Moscow claims US stand threatens summit

By Patrick Cockburn in Moscow

THE SOVIET UNION said yesterday that a US decision to stop complying with the Salt-2 arms limitation treaty later this year put in doubt the usefulness of a summit meeting of the superpower leaders and the present US–Soviet arms talks in Geneva.

In the toughest Soviet response yet to President Ronald Reagan's threat to cease to abide by the unratified Salt-2 treaty of 1979 Mr Alexander Bessmertnykh, the Soviet Deputy Foreign Minister, said at a press conference: "In practice the US does everything possible to undermine the prospects of a summit."

He said the Salt-1 and Salt-2 agreements were the underlying platform for the present talks on strategic and intermediate nuclear arms and space weapons in Geneva. "The platform is now being blown up," Mr Bessmertnykh said.

Existing limitations on nuclear arms agreed in the 1970s provided the framework for the negotiations in Geneva, Mr Bessmertnykh said. Once these were discarded there would be great practical difficulties in reaching agreement on any of the three interconnected topics under discussion.

He also said the US desire to discard existing arms agreements made it difficult for the Soviet Union to take seriously US intentions to reach agreement on nuclear arms limitation at Geneva.

The tone of yesterday's press conference and comments by other Soviet leaders indicates that the Soviet Union believes that if the US exceeds the Salt limits no serious talks on nuclear arms limitation or other topics are possible while President Reagan is in the White House.

Mr Bessmertnykh and Marshal Sergei Akhromeyev both gave detailed denials of US claims that the Soviet Union had violated existing strategic arms limitation agreements in three main areas. These are:

- The SS-25 missile. Marshal Akhromeyev denied that the Soviet Union had developed two new intercontinental strategic missiles instead of the one allowed by Salt-2. He said the SS-25 was designated by the Soviets the RS-12M and "This is a modernisation of our RS-12 missiles." He charged the US with exaggerating the differences between the two missiles and said the Soviet Union had provided the US with detailed designs of the SS-25 to prove it did not violate Salt-2.
- The coding of signals between Soviet missiles being tested and

Continued on Page 18

Growth key to exchange rates, says Volcker

BY STEWART FLEMING IN BOSTON

MR PAUL VOLCKER, the Federal Reserve board chairman, said yesterday that faster economic growth in some of the US's key trading partners could help to stabilise international exchange rates.

In comments which echo in part remarks by Mr James Baker, Treasury Secretary, earlier this week, Mr Volcker said: "I yield to none in may feeling about the desirability of stable exchange rates. The question is how you get there."

He added: "I certainly think that when one looks at the overall economic context ... it would be helpful in terms of the inbalances which are very large to see a relatively faster rate of growth in other elements of the industrialised world." He added: "That could be a contribution towards stability in exchange rates without putting the whole burden of adjustment on the exchange rate system itself."

Central bankers from leading industrial countries emphasised the importance they attach to trying to achieve greater stability in the exchange markets.

But the officials at the International Monetary Conference in Boston made clear that they do not feel that the time is ripe to try to move to some system of "target zones" for exchange rates as a way to try to achieve this goal.

Mr Karl Otto Pöhl, the Bundesbank president, said: "We all agree more stability is desirable after the substantial adjustment we have seen and aimed for. The question is how to get more stability."

Mr Volcker left no doubt that he believed that West Germany and Japan could do more to improve their economic performance by lowering their interest rates. Asked where he saw scope for declines in international interest rates, Mr Volcker said that countries which were in balance of payments surplus, with low inflation, high unemployment and an appreciating currency could lead the way to lower rates.

Mr Pöhl, however, has made clear this week he does not feel that West Germany can lower its interest rates now or that additional measures to stimulate demand in an expanding German economy are needed.

One central banker, commenting on the discussions among officials, said that several had been worried by US pressure to expand their economies. In particular, he suggested, there was unease at the way Mr Baker had tried to exert that pressure by suggesting that, if America's trading partners did not grow faster, then they would have to accept further dollar devaluation as the mechanism through which the US trade deficit would be reduced.

Continued on Page 18

Money markets, Page 35

Bonn achieves record monthly trade surplus

BY RUPERT CORNWELL IN BONN

WEST GERMANY yesterday reported a trade surplus of DM 10bn ($4.4bn) for April – the largest surplus it has ever achieved in one month.

The massive trade and current account surpluses announced by the Federal Statistics Office in Wiesbaden will undoubtedly be held up by the Government as further proof of the economy's robust health, ahead of state elections in Lower Saxony on June 15 and the general election now less than eight months away.

However, in international terms, they do little to support Bonn's assertion that West Germany is doing its share, by boosting home demand and increasing imports, to reduce a surplus second only to that of Japan and thus improve the balance of the global economy.

The record trade surplus stems from an 11 per cent leap in exports, compared with April 1985, to DM 49.9bn. Imports, on the other hand, climbed by only 1.1 per cent from a year earlier to DM 39.9bn.

April's performance means that the accumulated surplus for the first four months jumped to DM 32.2bn against DM 19.1bn between January and April 1985. Experts expect a full-year surplus of anything up to DM 100bn compared with the previous record of DM 73.6bn in 1985.

The current account, which includes services and transfers, is also heading for unprecedented levels. In April alone, the surplus was DM 8.5bn, almost double the DM 4.7bn in the same month of 1985. In the first four months, it virtually trebled to DM 24.6bn – suggesting that forecasts of a record DM 60bn for 1986 as a whole may not be wide of the mark.

Continued on Page 18

CONTENTS

Soviets redraw danger zone around Chernobyl N-plant

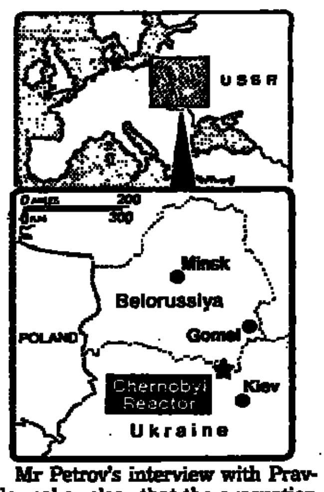
BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has found some patches of serious contamination outside the 30 kilometre zone around the Chernobyl nuclear reactor site, while some places closer to the disaster site are clean and evacuees have returned.

Immediately after the accident, people and animals were evacuated from the 30 km zone but the Communist Party daily Pravda yesterday quoted a senior local official as saying the danger zone had now been re-defined.

Clean areas inside the 30 km zone were discovered and at the same time dirty patches beyond its boundaries – by detailed studies of radiation levels – Mr Alexander Petrov, the deputy chairman of the council of ministers of the Republic of Belorussia, immediately to the north of Chernobyl, told Pravda.

As a result, Mr Petrov said, "People could return to certain places, and from others it was necessary to move them even further away." The varying degree of contamination to the north of Chernobyl in the Ukraine is primarily the result of wind direction at the time of the disaster on April 26.



Mr Petrov's interview with Pravda makes clear that the evacuation zone has been refined and not expanded as stated in newsagency reports yesterday which were later withdrawn.

He did say, however, that the Belorussian authorities had felt it necessary to evacuate 60,000 children from the dangerous zone in Gomel province, immediately to the north of Chernobyl, in the north Ukraine.

The children are now in pioneer youth camps.

Their parents have been instructed not to use vegetables and fruit from their private plots. Local authorities are supplying all foodstuffs and checking what local food supplies should be buried and what can be industrially processed. Some wells have been closed and others are being thoroughly cleansed.

The Pravda article gives the impression that the Belorussian authorities were quicker and more thorough in dealing with the problem than those in the Ukraine where the Chernobyl reactor is located. The local minister of health said everybody close to the disaster had been tested for radiation sickness but no casualties had been detected.

He added that the organisation of new food supplies to replace those possibly contaminated was very complicated. "At first, many economic bosses and ordinary citizens showed a lack of concern and elementary medical illiteracy," he said. Local officials tried to inform people through local press, radio and television.

Kohl calls his Frankfurt lieutenant to the colours

BY RUPERT CORNWELL IN BONN

NO ONE had much doubt that Walter Wallmann was on his way back to Bonn: except that most people thought it would be after (and if) his Christian Democrat (CDU) party won the general election set for January 25. But the ways of Chernobyl in current West German politics are strange to behold.

Thanks to the havoc wrought by the Soviet disaster upon both the nerves of the populace at large and the Government's presentation of its nuclear safety policy, the 53-year-old mayor of Frankfurt has arrived eight months earlier than anticipated, at the Bonn cabinet table, and in its newest and hottest seat – that of the country's first-ever fully fledged Minister for the Environment.

As such, it may prove to be one of the wiser moves made by the accident-prone Chancellor Helmut Kohl of late. Not only is Mr Wallmann close to Mr Kohl: he has also long been recognised as one of the brightest of a new generation of Christian Democrat politicians, as well as a generally competent big city mayor.

Mr Wallmann has been in Bonn before. After training as a lawyer, and an early career as a court judge in his adopted state of Hesse, he entered local CDU politics and was elected to the state parliament in Wiesbaden in 1966. Six years on, he entered the Bundestag (the lower house of Parliament). His initial impact was modest, but between 1974 and 1975 he achieved celebrity by heading the parliamentary committee investigating the Guillaume spy case, which caused Mr Willy Brandt to resign as Chancellor.

Having made a name for himself, he left the Bundestag in 1977 to run for mayor of Frankfurt. Sensationally, he overturned a solid Social Democrat (SPD) majority, and five years later proved it was no fluke by winning again, with 54 per cent of the vote. Today, he is also head of the state CDU, aiming to expel the present "Red-Green" coalition from power in Wiesbaden at the next election there, in 1987.

His record in Frankfurt is not entirely without blemish. He has run a tight conservative (and conservationist) ship, and helped the city shed a little of its old image as a dull and ugly banking centre, enlivened only by left-wing demonstrations.

Mr Wallmann has reopened the handsome old opera house as a cultural and congress hall; begun a clean-up of the notorious central station district riddled with sex shops, prostitutes and drugs; and pushed on with the restoration of the Römer district in the historic heart of Frankfurt. But he has also turned one of Germany's wealthiest cities into its most indebted, to the tune of DM 5,500 ($2,423) per head of the 600,000 population.

That, though, will be for his likely successor as Mayor, Mr Wolfram Brück, to sort out. Mr Wallmann has a far bigger challenge ahead: one which, if well met, will not only help in the battle ahead for Wiesbaden, but could unlock still higher doors in Bonn, too.

Admission by Israeli minister claimed to 'vindicate' Waldheim

BY PATRICK BLUM IN VIENNA

DR KURT WALDHEIM, the leading candidate in Austria's presidential election on Sunday, has been "vindicated" following a statement yesterday by an Israeli minister that there was not enough evidence to support allegations that he had actively participated in war crimes, it was claimed here yesterday.

The former United Nations Secretary General has been at the centre of an international controversy following allegations, which he has always denied, that he was implicated in Nazi atrocities in the Balkans during the war.

Last month, Mr Yitzhak Modai, the Israeli Justice Minister, said that a report prepared by his ministry showed that Dr Waldheim was connected, if only indirectly, to Nazi atrocities. Yesterday, however, Mr Modai said there was no evidence to show that he had participated directly in atrocities, but that there was enough evidence under Israeli law to bring charges against Dr Waldheim as an accessory to war crimes if he were in Israel.

A spokesman for Dr Waldheim said yesterday: "We have always said this. Nothing shows that there is anything to back up these allegations." He also dismissed suggestions that Dr Waldheim could have been an accessory to war crimes.

Dr Waldheim has a lead of 6-8 percentage points over his Socialist rival in the election on Sunday.

Mr Modai said yesterday that he would present his report to a full cabinet meeting before the end of the week and that Israel would continue its investigations abroad into Dr Waldheim's past.

AP adds from Athens: The Greek Justice Minister, Mr Apostolos Kaklamanis, said Dr Waldheim's name was not on an official Greek register of war criminals but he admitted that the records were incomplete.

Justice Ministry officials found no mention of his name in a list of 5,000 people accused of war crimes committed during the 1941-44 Nazi occupation. He said an unspecified number of files had been destroyed "some years ago."

The check was made in response to a request from Greece's Central Jewish Council. No evidence has so far emerged to support claims by Greek Jews that Dr Waldheim was involved in deportations of Jews from the northwestern city of Ioannina.

Italy eases controls on the price of petrol

BY JAMES BUXTON IN ROME

ITALY HAS taken a small step in the direction of liberalising the price of petrol. The rigidity of the system for setting the price of petroleum products and the restrictions on filling stations are the subject of protests by the oil companies.

The price of petrol in Italy is based on a formula related to the average of prices in other EEC countries. Until now, oil companies could not adjust the price until the Government's inter-ministerial prices committee authorised a change, in line with the formula. Frequently increases were held up for political reasons.

From now on, however, oil companies will be able to adjust the price when the formula indicates that there should be a change, without having to wait for the committee's decision. However, they will still have to wait for the publication of the formula in the Official Gazette, though this should be automatic.

The new system, which will be in force until the end of June 1987 is a very modest change. But it has already aroused protests from the federation of filling station operators.

They believe it is only the first step towards the total *liberalisation of petrol prices* and the removal of many of the restrictions on the opening hours and location of filling stations.

Falling oil prices hit Hungary

By Leslie Colitt in Berlin

HUNGARY, which is experiencing sharp economic recession, faces extra losses of up to $340m in exports to the West this year because of falling oil and gas prices.

The national oil and gas organisation said it expected a loss in sales to the West this year of $140m. Preliminary estimates put chemical industry losses in hard currency exports at $100m-$200m. Hungary sold Forints 16.6bn (£240m) worth of oil products to Western markets last year, accounting for 4 per cent of total exports. It had planned a $400m surplus in hard currency trade this year but had a deficit of $270m in the first quarter.

In *Czechoslovakia*, a senior official said economic performof the year was ET SH CM — ance was unsatisfactory in the first four months of the year. Mr Josef Kemeny, a member of the Communist party presidium, said stocks of unsold goods had risen by Koruna 6.8bn (£755m) in the first quarter. This was greater than the increase in national income (corresponding to GNP minus services).

"Things are being produced which are useless," he said, and more than 20 per cent of factories were not fulfilling the plan.

The rest often fulfilled and over-fulfilled the plan targets only quantitively with a high consumption of materials. In spite of speeches made before, during and after the recent party congress, he noted, "We are not managing to shift the economy from extensive to intensive forms of management."

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Euro-Court ruling backs case for part-time workers

THE European Court of Justice has ruled that part-time workers in the EEC have the same right to work and live in other member states as people in full-time jobs, a European Commission official said yesterday, Reuter reports from Brussels.

He said the court had backed the Commission in a case it brought against the Netherlands for refusing to let a part-time West German music teacher stay in the country.

The Dutch authorities had argued that the man's dependance on social security benefits to make up his part-time pay excluded him from EEC rules on the free movement of workers within the 12-nation community.

The court ruled that as long as the part-time work was legal and justified, the employee had as much right to practise it where he wanted as any full-time worker.

In another ruling, the court said France had no right to demand that nurses in public hospitals have French nationality.

Netherlands hosts talks against chemical warfare

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS is continuing its battle against chemical warfare in spite of the US winning Nato approval for new chemical weapons. The Hague is hosting a two-day international workshop on practical ways of preventing chemical weapons from being made in civilian chemical factories.

The workshop, which ends today, is designed to help overcome one of the last major obstacles to a treaty at the Geneva conference on disarmament, which aims at a global ban on chemical weapons. That obstacle is the problem of verifiable compliance which still protects commercial interests.

Mr Hans van den Broek, the Dutch Foreign Minister, yesterday addressed the representatives of 44 countries, including the Soviet Union.

"I hope and believe that this workshop can make a significant contribution to the formulation of opinion on one element, admittedly a limited one, of the verification problem of a chemical weapon treaty which all of us wish to see realised," he said.

The Geneva conference on disarmament has been struggling for 15 years to agree upon a comprehensive treaty

The Netherlands, which has a sizeable chemical industry, has fought against chemical weapons for years and as the current chairman of the European Community is seeking to rally support for the Geneva ban.

Soviets renew interest in Cyprus settlement

BY ANDREAS HADJIPAPAS IN NICOSIA

A THREE-MEMBER delegation from the Soviet Foreign Ministry will visit Cyprus next week for talks on the Cyprus problem amid signs that the Soviet Union is showing renewed interest in the Mediterranean island where Britain maintains two large military bases.

The visit, beginning on June 13, is principally aimed at promoting the Soviet initiative launched last January which aims at making Cyprus a demilitarised island. The Soviet proposals also called for a united, independent Cyprus.

The visit comes at a time when Mr Javier Perez de Cuellar, the UN Secretary-General, is making urgent efforts to avert a complete breakdown of his own peace initiative on Cyprus. That initiative would involve making the divided island a federal, bizonal republic, with about 29 per cent of its territory in the north held and administered by the Turkish Cypriots.

The Greek Cypriots, who form the internationally recognised Cyprus Government, have spurned the UN package

Netherlands coalition negotiations bog down

By Laura Raun in Amsterdam

POLITICAL HAGGLING over formation of a centre-right coalition Government in the Netherlands has bogged down over sensitive issues and party squabbles in the days following last month's election.

The Christian Democrats and right-of-centre Liberals may need a total of 10 weeks to iron out the wrinkles in a new governing accord, according to diplomats in the The Hague. That would be twice as long as expected after the coalition's surprise victory in the general election on May 21.

Mr Jan de Koning, the Christian Democratic Informateur who is directing the coalition negotiations, yesterday met Mr Bert de Vries, representing the Christian Democrats, and Mr Ed Nijpels of the Liberals. The three attempted to narrow down the main obstacles that have emerged during a week of detailed discussions on cabinet portfolios.

Two obstacles are slowing negotiations: wide differences over such controversial issues as euthanasia, broadcasting, sexual discrimination and education; and internecine struggles within the Liberal party.

The latter favour the legalisation of euthanasia, commercial broadcasting and equal treatment for women. The Christian Democrats oppose all three. Some differences also exist on civil servants' wages and defence spending.

The Liberals, junior partners in the coalition, are also painfully polarised over the future of Mr Nijpels. The more conservative wing of the party is rallying around him despite the disastrous loss of nine parliamentary seats in the general election. The Christian Democrats, the senior party, won nine seats to maintain the coalition's governing majority.

The more progressive wing of the Liberals is directly blaming the brash Mr Nijpels for the embarrassing losses. But despite the Liberals' seemingly weakened position, they still have a powerful bargaining chip—the promise by the Christian Democrats of continuing the partnership.

Further rise in Community growth forecast

BY QUENTIN PEEL IN BRUSSELS

A FURTHER gradual acceleration in real economic growth in the EEC, reaching 2.8 per cent in 1987, was forecast yesterday by the economic services of the European Commission.

Unemployment is expected to decline marginally from 11 per cent to 10.5 per cent, while inflation will ease more sharply: down from 5.8 per cent in 1985 to only 3.1 per cent in 1987, according to the new figures.

The slowly improving economic growth rate reflects a more rapid expansion of domestic demand, coinciding with a lower external trade surplus for the 12 member states in 1987.

The forecast suggests that the overall EEC surplus on its balance of payments will improve further in the current year, thanks to the effect of the declining oil price in particular, but fall back in 1987 as imports are sucked in to supply rising domestic demand.

The growth pattern will inevitably vary between the member states, the Commission says, with Britain and the Netherlands — the two energy producers — actually dropping back in 1986. Real growth in UK gross domestic product is forecast at 2.6 per cent this year, compared with 3.3 per cent last year, and falling in 1987 to 2.4 per cent.

West German GDP, on the other hand, is expected to grow at 3.5 per cent this year, compared with 2.5 per cent in 1985 and 3.0 per cent next year.

Private consumption in the Community is expected to grow by 3.5 per cent this year, faster than both the US (2.7 per cent) and Japan (3.2 per cent), falling only marginally to 3.4 per cent in 1987.

The Commission's figures are slightly more optimistic than those produced by the OECD, particularly in forecasting any improvement in unemployment rates—although the expected 10.5 per cent is still described as an "unacceptable level."

Mr Massimo Russo, director-general for economic affairs in the Commission, said growth over the next two years would be based in internal rather than external demand.

The forecast is based on an assumption of no further substantial changes in dollar-Ecu exchange rates, oil prices averaging $16 and $15 a barrel in 1986 and 1987 respectively, and no major internal economic policy changes.

UK seeks backing for space aircraft

BY JAMES BUXTON IN ROME

BRITAIN wants the European Space Agency (ESA) to make a high-level study of Europe's future needs and possibilities in the field of space launchers and platforms with a view to giving it support for Hotol, Britain's project for a space-going aircraft.

Mr Geoffrey Pattie, the British Minister for Industry and Information Technology, stated this in Rome yesterday after a visit to European capitals to discuss Hotol with governments and present the concept to industrialists.

Hotol is a concept developed by British Aerospace for a space vehicle which, unlike the space shuttle, would travel into orbit from an ordinary runway. It would carry out such tasks as putting satellites into orbit and return to its runway to be used again.

It is a present at the "proof-of-concept" stage. But if the concept is proved to be valid, which should be achieved in about a year, Britain would like to get the support of ESA and its member countries for making Hotol operational.

Britain, however, faces opposition to Hotol from France, which wants to secure European finance for Hermes, a manned space vehicle which would go into orbit on top of ESA's Ariane rocket, which is 70 per cent financed by France.

Mr Pattie said yesterday that the French Government was not "hostile" to Hotol. "But the French see it as a project which would follow Hermes in the early years of the 21st century. We believe Hotol will be able to do more than Hermes – Hermes can't put satellites into low earth orbit for example – and we believe it can be operational much sooner, by AD 2000.

"We and the French are in competition in the sense that we are both after the same lot of money. In an ideal world, we would have both Hermes and Hotol," he said.

The cost of developing Hotol and building the first launcher is put at about Ecu 6bn ($5.6bn).

Mr Pattie said that he was "neither more hopeful nor less hopeful" after his visit this week to Paris. But both the West German and Italian governments were particularly interested in Hotol, he said.

Mr Pattie said that, with the difficulties over the US space shuttle, the ESA needed to make assessments of its future needs "quite rapidly. "We are at a watershed," he said. "The decision we take now may be irreversible."

He said that Britain would present a paper on the subject to the next council meeting of ESA, later this month.

Britain's presentation of the Hotol project has been criticised on the grounds that for reasons of military secrecy the British have not been prepared to reveal full details of how Hotol will work. But Mr Pattie said: "In the early stages we have to be sensible about how much we lift the veil of secrecy. But we will lift the classification levels as the months go by."

Paris transport chief fights to stay on board

BY PAUL BETTS IN PARIS

THE BATTLE over the running of the Paris metro between the French conservative government and the communist chairman of the capital's urban transport system reached a climax yesterday.

Mr Claude Quin, the communist head of the Regie Autonome des Transports Parisiens (RATP), was still desperately trying to remain on the board of the urban transport network in spite of efforts by Mr Jacques Douffiagues, the right-wing Transport Minister, to force him to resign.

Mr Quin is the last Communist Party member to hold a major position at the top of a state sector group and it is no secret that he was one of the first state sector managers the new right-wing government wanted to replace. Yesterday, in an effort to maintain at least a voice on the RATP board, Mr Quin offered to step down as chairman but to retain a seat on the board. Mr Quin's fate wase expected to be decided last night after a meeting with Mr Douffiagues.

Underground workers have threatened a 24-hour strike next week in his support.

Relations between Mr Quin and the new government had initially seemed good with the conservative administration giving the RATP the go ahead to increase fares by 8 per cent.

But subsequently Mr Douffiagues told Mr Quin he had to trim his investment and operating budget by FFr 480m (£43m) this year and stop hiring new workers.

Mr Quin agreed to FFr 140m of cuts but refused to accept the demand on recruitment.

But the dispute clearly goes beyond the management of the urban transport network. The presence of a communist at the head of a large and visible state group is clearly unacceptable to the new right-wing government, which is now starting to replace political appointments in state groups made by the former left-wing administration.

The cabinet yesterday announced the replacement of Mr Jean-Paul Huchon, the chief executive of the Credit Agricole co-operative banking group, formerly one of the closest aides of Mr Michel Rocard, the former Socialist Agriculture Minister.

● The French current account returned to deficit in the first quarter of this year after showing a substantial surplus in the final quarter of 1985, writes Daniel Housego. It showed a FF3bn (£275m) deficit on an unadjusted basis in the first three months compared with a FFr 12.8bn surplus in the final quarter of last year. The figure was however a substantial improvement on the same period in 1985 when France registered a deficit on an unadjusted basis of FFr 17.1bn.

Swedish party leader resigns

By Kevin Done, Nordic Editor, in Stockholm

MR ULF ADELSOHN, leader of the Swedish Conservatives, the largest Opposition party, yesterday announced his resignation. His decision to step down after nearly five years as party leader follows the party's disappointing performance in last September's general election.

Following the assassination in February of Mr Olof Palme, Prime Minister and leader of the ruling Social Democrats, and the ousting of Mr Thorbjorn Faelldin, the former Prime Minister and leader of the Centre party in December, Mr Adelsohn's departure marks the third major party leader change in Sweden in less than six months.

Mr Adelsohn, a former Mnister of Transport and Communications in the non-Socialist Government from 1979 to 1981 and earlier leader of Stockholm City Council, has been ill at ease with his role in opposition.

His ambitions were clearly set on being elected Sweden's first Conservative Prime Minister since 1928, but at the last election the Conservatives failed to live up to the promise they had shown in opinion polls.

They came in for heavy attack from Mr Palme, who sought to present them as a dangerous threat to the Swedish welfare state, and lost votes heavily to the Liberals, whose fortunes surged under their new leader, Mr Bengt Westerberg.

Under Mr Adelsohn's leadership, the Conservatives have moved markedly to the right with an outspoken platform in favour of lower taxes, cuts in the public sector, the privatisation of public services, and more individual freedom of choice.

At the 1982 election, the first with Mr Adelsohn at the helm, they scored their biggest triumph since the end of the 1920s capturing 23.6 per cent of the vote.

Amid talk of a "right-wing wind" of change blowing through Sweden, the Conservatives rose at one stage above 30 per cent in the opinion polls, but Mr Adelsohn's hoped-for success failed to materialise in the 1985 general election, and their support has since dropped

The Conservatives are expected to hold a party conference during the late summer to elect a new leader.

OVERSEAS NEWS

Amal tightens Palestinian camps siege

By Nora Boustany in Beirut

SHIA AMAL militiament tightened their siege of three Palestinian camps yesterday after suppressing Sunni Moslem opponents in the fiercest street battles in West Beirut this year.

Palestinian spokesmen denied their guerrillas had been involved in heavy combat that engulfed the Tariq Jedideh quarter Monday and Tuesday. The spokesmen stressed that Palestinians entrenched in shantytowns on the southern fringes of Beirut were concentrating on a defensive battle inside the camps.

The Shia Amal militia consolidated its hold over Tariq Jedideh thus ensuring better access to the embattled camps from the north. Palestinian refugee camps are ringed by Shia suburbs from the south and southeast.

A joint Lebanese army and police force entrusted with security in West Beirut's recent flashpoints was still not in position yesterday.

● Lebanon's pound tumbled more than two pounds during the day against the dollar yesterday to its eighth record low in two weeks, closing at 37.00/38.00, Reuter reports.

FINANCIAL RAND AT NEW LOW

Investor fears push down rand value

BY JIM JONES IN JOHANNESBURG

INVESTOR CONFIDENCE in South Africa reached a new low yesterday as the financial rand, ploughed below $0.24 where it discounted the commercial rand by a record 42 per cent. The financial rand, reintroduced last September to help stem a flight of capital from the country, provides a direct measure of foreign investors' willingness to invest in South Africa. It also reflects pressure on foreign investors who are disinvesting by selling their assets in the Republic.

On of the causes of the financial rand's latest decline was the discovery of a foreign exchange fraud by dealers at the African Bank (AB). Since last September they have contravened exchange control regulations by sending an estimated $117m of disinvestment funds out of the country at the more attractive commercial rand rate which is reserved for current account transactions.

Profits made through this contravention were returned to South Africa from abroad through the financial rand market, thereby creating an artificial demand for the investment currency and supporting its effective exchange rate at a level which discounted the commercial rand by about 30 per cent. With that prop gone, the financial rand now reflects heightening business and investor fears.

Mr du Plessis: GDP forecast looks optimistic

On the political front most worries centre on June 16, the tenth anniversary of the 1976 Soweto uprising. The African National Congress and the United Democratic Front have joined others in calling on black South Africans to strike on that date, and several companies—the Premier Group, the Post Office and Anglo-American among others — have decided to give their black staff time off.

But the protest call was thrown into confusion last night following a Government order banning any indoor anti-apartheid meetings. Outdoor meetings are already banned.

Apart from political considerations, disinvestment pressures have been heightened by the fact that recession appears to be deepening despite measures introduced in the past six months. Until now the authorities have relied on interest rate cuts to get the economy going, but, though the bell-wether prime overdraft lending rate of 14.5 per cent is 4.1 percentage points below April's 18.6 per cent inflation rate, the economy remains in the doldrums. In February manufacturing output was 2.6 per cent down on the level of a year before. Many economists now concur that GDP growth this year is likely to be less than 2 per cent rather than the 3 per cent budgeted by the Finance Minister Mr Barend du Plessis in March.

The Government has delayed introducing fiscal measures to underpin the interest rate cuts. However, it now seems that new measures, which are expected to include a cut in general sales tax and increased Government deficit spending on make-work projects such as sub-economic housing, will be introduced in Parliament on June 16.

Patti Waldmeir adds: The American Chamber of Commerce in South Africa has published a document for the "careful consideration" of its 300 member companies outlining possible acts of civil disobedience as part of a programme of helping black employees.

The chamber's president, Mr Frank Lubke, stressed that the group did not endorse civil disobedience as a policy, indicating that the document, which gives examples of possible action, is intended for members' consultation only.

Prepared by a prominent black organisation, the Get Ahead Foundation, the paper suggests that chamber members should encourage blacks to settle in white areas, in contravention of South Africa's segregated housing laws, refuse to register staff under current influx control laws which monitor the presence of blacks in urban areas, fund blacks wishing to set up businesses, even where this may contravene licencing regulations designed to keep blacks out of certain business districts and encourage the desegregation of private and state schools.

● Gold Fields of South Africa, which is controlled by London-headquartered Consolidated Goldfields, has dismissed 2,000 striking workers at its Greenside Colliery. The company said the stoppage was the latest in a series which had taken place since early March.

Editorial comment, Page 16

US groups told to stop Libya oil operations

By Francis Ghilès

THE US Administration has ordered US oil and oil service companies to stop operations in Libya by the end of this month. The directive stops short of demanding they shed ownership of their interests there.

Washington's amendment to temporary permits to operate in Libya, issued last February, calls for cessation of all sales of Libyan oil, payments to the Libyan Government and participation in operations and management of their Libyan oil concessions.

According to Petroleum Intelligence Weekly, the five US companies involved — Conoco, Amerada Hess, Marathon, Occidental and W. R. Grace—have less than 10 cargoes of crude to sell before the ban takes effect.

The companies estimate their assets to be worth about $1bn but say it is impossible at present to estimate precisely the net book asset value or their fair market value.

This figure is greater than the worth of Libyan assets frozen by the US last January. Although precise figures are not available, senior Administrative officials agree that the figure stands at around $800m.

Indian state leader's move eases way for Punjab peace accord

BY JOHN ELLIOTT IN NEW DELHI

THE CHIEF Minister of Haryana, a North Indian state adjacent to the Punjab, gave up his office yesterday in a surprise move which is expected to ease the way for the implementation of the Punjab peace accord agreed last year.

Mr Bhajan Lal, outspoken Chief Minister of Haryana for the past seven years and a leading opponent of some aspects of the accord, was replaced by Mr Bhansi Lal, India's Railway Minister who, is expected to take a more conciliatory line. Mr Bhajan Lal was last night being tipped for a ministerial job in the central government of Mr Rajiv Gandhi, the Prime Minister, as a reward for leaving Haryana.

This important political move came a few hours before tension rose in the Sikhs' holy city of Amritsar where security forces moved back yesterday into the sacred Golden Temple after extremists killed a member of the civilian security task force.

There is a serious risk of violence in Amritsar this week because it is the second anniversary of the take-over of the temple complex by the Indian army. Three people were killed yesterday in other incidents in the Punjab.

Security forces re-entered the Golden Temple in Punjab hours after militants called for the overthrow of the state's moderate Sikh leadership, the Press Trust of India said, Reuter reports from New Delhi

Mr Bhajan Lal was instrumental in blocking the transfer last January of the city of Chandigarh as the capital of Punjab. Currently it is the joint capital of both Punjab and Haryana.

As part of the deal Haryana is to be given some Punjab villages and a new state capital but Mr Lal was taking an extreme line, partly because he and his government were due to stand for re-election next year and did not want to lose the support of Haryana's Hindu voters.

Mr Gandhi last week announced that the change-over of the capital and the villages would take place on January 21 and appears to have decided to prise Mr Bhajan Lal, a veteran politician, out of Haryana, to make this possible.

5% GDP rise signals recovery for Kenya

BY MARY ANN FITZGERALD IN NAIROBI

THE KENYAN economy is enjoying an economic boom with prospects for 1986 even rosier than the results turned in last year, government statistics indicate.

The 1985 GDP growth of 4.1 per cent, expected to expand to 5 per cent this year, marks a turnaround from 1984 when the economy was battered by the worst drought in half a century. GDP growth that year stagnated at 0.9 per cent.

Dr Robert Ouko, Minister for Planning and National Development, dubbed the performance "satisfactory" when he presented the 1986 economic survey last week.

For the first time in several years, the GDP expansion outstripped the population growth rate, officially pinned at 3.9 per cent. The population explosion is viewed with concern by both government officials and Western aid donors. Per capita income was $357 in 1985, up 2 per cent over 1984.

The recovery was marked by record harvests of maize and tea, and agricultural production expanded by 3.5 per cent.

Inflation stood at 10.7 per cent last year but is expected to ease to 8 per cent this year, and manufacturing output remained steady.

However, a liberal import policy led to deficits in the balance of payments and current account. The balance of payments returned to a deficit position of just over $100m after two years of surplus. The current account deficit widened from $183m in 1984 to $211.25m last year.

● Tanzania is due to confront its donors at a consultative group meeting in Paris next week and prospects for a rapprochement with the IMF are good, say diplomats in Dar es Salaam.

The pivotal agreement for a standby facility, the first in six years, would unleash an additional several hundred million dollars in aid that is badly needed to revitalise the economy.

The credit is expected to be for about SDR 65m (£50m), roughly 60 per cent of Tanzania's IMF quota. If Tanzania adheres to guidelines contained in the IMF package, it could become eligible for a further credit of some SDR 20m, drawn from the fund's newly created structural adjustment facility.

The proposed agreement is predicted on a liberalisation of Tanzania's agricultural policy and a big devaluation of the shilling from its present level of Tsh 19.75 against the dollar. The black market rate is Tsh 160 against the dollar.

Zimbabwe pay to be raised

THE Zimbabwe Government yesterday announced a 10 per cent increase in wages for all workers earning less than Z$500 (£193) a month Tony Hawkins reports from Harare: The wage award which applies to lower-paid workers in all sectors of the economy takes effect from July 1 and follows a 15 per cent pay rise a year ago. The inflation rate since mid-1985 is estimated to be more than 13 per cent implying a reduction in average real earnings.

Mr Frederick Shava, the Zimbabwe Minister of Labour, said pay awards for higher-income groups would be progressively scaled down to give a 3 per cent increment to those earning up to Z$36,000 annually. People earning more than that would not be entitled to any increase at all, the minister said.

Philippines growth resumes

THE PHILIPPINES GDP grew by 0.8 per cent in the first quarter of 1986 as the Government of President Corazon Aquino struggles to regain public confidence and rebuild a debt-ridden nation. Samuel Senoren in Manila writes.

The turnaround, which compared with negative growths at 3.9 per cent in 1985 and 5.5 per cent in 1984, indicated progress in the country's economic health.

Mr Jaime Ongpin, the Finance Minister, yesterday reported that key economic indicators were generally upbeat as reflected in a stable currency exchange rate and a low rate of inflation which averaged 3.3 per cent from January to April.

The international reserve of the Central Bank rose to $1.69bn as of last week

Shultz bullish, Page 5

Peking condemns Japanese history of World War Two

BY ROBERT THOMSON IN PEKING

THE Chinese Government has strongly criticised Japan's education authorities for approving a history book that the Chinese claim "prettifies" Japanese aggression prior to and during the Second World War.

A Foreign Ministry official made clear yesterday that China thinks the Japanese Government has not kept a promise "to see that errors in textbooks would be corrected" by approving a controversial text that avoids the term "aggressions" and casts doubts on Japanese brutality during the war which centred on the Japanese invasion of Manchuria.

The offending text, apparently prepared by the National Conference to defend Japan, says the details of the "Nanking Incident," in which Japanese soldiers killed at least 140,000 in 1937, are still under debate.

A similar glossing over of history four years ago caused a serious rift between China and Japan, with the Chinese Government then saying that revisions of history books were counter to friendship agreements signed by the two countries.

The Foreign Ministry official said that the Government had noted Japanese press reports on the middle school text, which contains material "contrary to historical facts.

"The Japanese Government had promised to see to it that errors in textbooks would be corrected. How to look upon the facts of the war launched by the Japanese militarists should be considered as a serious matter," the official said.

"Regrettably, the Ministry of Education of Japan has once again done something that hurts the feelings of the Chinese people and the people of other Asian nations."

He said the Government opposes "any statement or actions that distort historical facts and prettify the war of agression."

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Shultz declares 'bullish' support for Philippines

BY ALAIN CASS, ASIA EDITOR

MR GEORGE SHULTZ, the US Secretary of State, declared yesterday that he was "bullish on the Philippines" in a speech designed to quell criticism from Manila that the Administration was lukewarm in its support for the Government of President Corazon Aquino.

The speech, delivered in New York to the prestigious Foreign Policy Association, was also an attempt to persuade the private sector in the US to invest in the Philippines.

Mr Shultz conceded that the international business community, while welcoming the change of government in Manila, had adopted a cautious wait-and-see attitude before deciding to invest.

Mrs Aquino's Government, which was swept to power by a military-backed revolution 100 days ago, has yet to see any significant inflow of foreign investment.

Moreover, her government has yet to come up with specific proposals to tackle the economic mess left by her predecessor, Mr Ferdinand Marcos, including a foreign debt burden of over $26bn (£17.4bn).

Mr Schultz urged Mrs Aquino to develop plans to lure back capital which had flooded out of the country in the years preceding the revolution. He said there was a critical need to give foreign companies considering investing in the country a sense of confidence.

Mr Shultz is emerging as the most powerful suporter of the Aquino Government within the Administration where there are deep-seated doubts about her ability to keep her coalition together and considerable suspicion of her more radical advisers, some of whom remain opposed to the US military bases in the Philippines.

He told his audience in New York that "if stability and development in the Philippines are to be attained the Aemrican private sector must get off the dime and look aggressively at investmenet opportunities."

Mrs Aquino, he said, had taken "the right track" despite the formidable array of problems facing her.

SEC wins insider trading case

By Terry Dodsworth in New York

The US Securities and Exchange Commission, the watchdog for the American securities industry, has won another large settlement against a group of international investors accused of trading on insider information generally available to the investing public.

The decision, which comes only days after a flurry of new insider cases have been launched by the SEC, involved alleged profits of $3.5m (£2.3m) made on purchases of shares in St Joe Minerals in March 1981, just before it became the object of a takeover bid by Seagram, the Canadian drinks company.

In a Federal Court judgment in New York, two Italian bankers, Mr Giuseppe Tome and Mr Paolo Leati, were ordered to pay back illegal profits and interest on their dealers in St Joe shares at the time of the takeover bid.

Estimates put the total value of the award at around $5.8m, although it was not clear yesterday whether the SEC would recover more than $2m which the US courts froze in a New York account in 1981. Both of the defendants are reported to be in Europe.

TeleMexico acts to end broadcast chaos

BY DAVID GARDNER IN MEXICO CITY

CHAOTIC television and radio transmission of the World Cup football game from Mexico may continue for another day or two but thereafter should improve substantially, according to European broadcasting companies

TeleMexico, the host broadcaster, has agreed to European Broadcasting Union (EBU) demands that they appoint an operational director, Mr Victor Rojas, to co-ordinate the work of the Communications Ministry, Telmex, the state telecommunications company and the EBU itself.

The Mexican Government has also intervened, following a searing public protest by the EBU on Monday night, when the transmission chaos of the past few days was described as "the biggest disaster in the history of sports broadcasting."

At the centre of the mess is the inability of many outside broadcasting companies which have paid record service fees to TeleMexico to feed sound through the commentary channels they contracted for. Other television companies have not been receiving pictures.

At the weekend's opening games, for example, West German TV commentary was being broadcast to Canada, Spanish radio commentary was going to England and at one stage Brazil got no sound at all. Many broadcasting companies were reduced to commentary provided either by telephone or in their home studios while watching the games on TV.

TeleMexico's appointment of Mr Rojas, a respected broadcasting technician, was described in a letter from EBU and the major broadcasting federations to Fifa, the international football federation, as "a positive step forward to improve substantially the situation."

Though Fifa is formally in charge of the tournament it is Televisa, the powerful Mexican private TV monopoly and 75 per cent shareholder in TeleMexico, which is the main organiser of and price beneficiary from the event.

Since the weekend, Televisa has come under strong pressure from both Fifa and the Government to find quick solutions to the broadcasting row, which the authorities here fear is seriously damaging Mexico's already dented image abroad.

At Tuesday's Mexico-Belgium match, President Miguel de la Madrid met with Mr Emilio Azcarraga, president of Televisa, Mr Guillermo Canedo, vice president of Televisa, Fifa and head of the World Cup organising committee, and Mr Joao Havelange, Fifa president.

According to Mr Guido Tognoni, the Fifa spokesman, Mr Azcarraga had to "assure the government and Fifa that everything that needed to be done will be done."

Many of the problems appear to be the result of bureaucratic paper shuffling, lack of co-ordination and the over-concentration of decision-making at the very top.

The constant need for signed authorisation from the top is having a sad effect on other aspects of coverage. Telexes at the International Press Centre built by Televisa still do not open until 6 pm European time.

California limits liability awards

BY LOUISE KEHOE IN SAN FRANCISCO

SEEKING AN end to the liability insurance crisis that hss hit businesses and municipalities in California over the past year, the state's voters have passed a measure that will severely limit liability awards for such "non-economic" damages as "pain and suffering" in lawsuits dealing with injuries and "wrongful" death.

"Proposition 51, a voters' initiative that will reverse the state's controversial liability was passed by an overwhelming 62 per cent of voters in Tuesday's state elections.

The measure limits liability damages to each defendant's share of fault. Previously in California, wealthy defendants with "deep pockets" have been required to pay all damages regardless of their degree of fault in cases where other defendants are unable to pay.

In practice, this has produced such anomalies as cities being required to pay multimillion dollar awards to the victims of uninsured drunk drivers. As a resudt, the insurance industry claims, liability insurance rates have been forced up, and in some cases insurance is unavailable. More than 50 cities in the state are currently uninsured. Businesses, doctors and schools have also been affected by the crisis.

Backers of the initiative have predicted that it will bring relief to those with insurance problems, but they are strongly opposed by consumer groups and trial lawyers.

Special interest groups dipped into their own deep pockets to spend nearly $10m (£6.8m) on efforts to elicit votes for or against Proposition 51. The campaign is believed to be one of the most expensive in California history.

Polish colonel warned US of martial law plan

BY NANCY DUNNE IN WASHINGTON

A POLISH Colonel, serving on his country's general staff before the crackdown on the banned Solidarity trade union organisation, was a Central Intelligence Agency (CIA) spy who warned the US of the planned martial law crackdown six weeks before it was announced on December 13, 1981, the Washington Post reported yesterday.

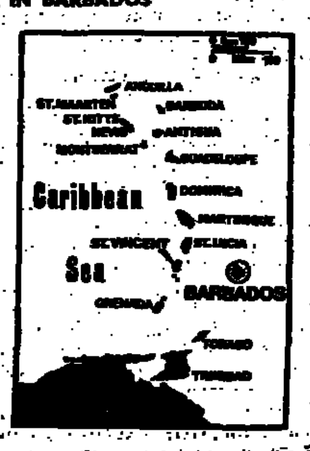
According to the newspaper Mr Jerzy Urban, Polish Government spokesman, confirmed the story in an interview in Warsaw and said the US could have made the information public and warned Solidarity because Colonel Wladyslaw Kuklinski, had been removed from the country by the CIA by November 7.

Mr Urban claimed that the Reagan Administration could have revealed the information and prevented the implementation of martial law.

"Much of the love which he (President Reagan) professes for Solidarity is insincere," he said.

Barbados waits for Barrow to deliver on election promises

BY TONY COZIER IN BARBADOS



THE sheer size of the new Barbados Government's majority has forced it to physically restructure the House of Assembly before it tackles anything else.

The new parliament cannot meet until this happens since there is simply not enough room on the Government side to accommodate all 24 of the 27 seats won by the Democratic Labour Party (DLP) in last week's elections.

Mr Errol Barrow, returning at the age of 66 as prime minister after 10 years in opposition, has a little more time to choose his cabinet and prepare for the traditional state opening of Parliament.

The elections dramatically dismissed the former Barbados Labour Party Government which had been in office since 1976 and held an advantage of 17 seats to 10 after the elections of 1981.

The former prime minister, Mr Bernard St John, and all but one of his cabinet ministers, lost their seats. Even the computer forecasts which predicted a narrow DLP win, were embarrassed by the scale of the DLP victory.

For Mr Barrow, it is a triumphant return to a position he held for three successive terms between 1961 and 1976 when his party was last in government.

Like so many leaders of developing Commonwealth countries, Mr Barrow is a product of British legal and political training in the 1950s—called to the Bar at the Inns of Court and earning an economics degree from London University. He returned home to form the DLP with other young Barbadians disenchanted with the traditional leadership of the BLP at a time when the British Caribbean was moving towards independence.

His dynamic style and fresh policies carried his party to victory in the 1961 elections and it retained the Government for three successive terms during which the West Indies Federation collapsed and its island components moved individually towards independence.

For Barbados, that came in 1966 when Mr Barrow's government was at the height of its popularity.

That popularity wore thin for several reasons in its third term. People saw it as having become complacent and voted for change by returning the BLP, then under Mr Tom Adams, whose sudden death in March 1985 brought Mr St John to the prime ministership.

It says much for Mr Barrow's resilience and continuing appeal that he should have survived two election defeats to lead the DLP to victory again as the oldest candidate of either party in the elections.

Several issues contributed to the remarkable BLP demise and the largest government majority since the introduction of adult suffrage in 1951, but none was more significant than the DLP's package of tax reforms and public sector cuts.

They would have sounded more appropriate coming from President Ronald Reagan or Mrs Margaret Thatcher than from a party which claims to be socialist and which has three trade union officials among its 24 successful candidates.

"This country has been very much overtaxed," Mr Barrow told audiences during the campaign. "All of you as individuals have been subjected to taxes, levies, stamp duties, consumption taxes and endless impositions." It is the kind of language guaranteed to get an enthusiastic hearing from electorates anywhere and the DLP hammered the point in an alternative budget it presented in the House of Assembly a few weeks before the election and later in its manifesto and on the platform.

The first B$15,000 (£5,000) income will be tax free under Mr Barrow's new Government. Rates on electricity, water and petrol will be reduced, as will public sector spending and borrowing. State enterprises such as Caribbean Airways, the radio and television station, the Hilton Hotel (which it leases to the international chain) and a recently-built cement plant which it shares with the Trinidad and Tobago Government, will be sold. "The first thing you have to do if you want to be independent is to stop begging," Mr Barrow said. "The second is to stop borrowing." He estimates Barbados's total eternal debt to be B$457m (£154m) compared with B$50m when he was voted out 10 years ago.

The question now is whether the new administration can deliver on its promises.

Mr St John is adamant that its proposals will be soon revealed as "illusions and pipe dreams."

"For short term gain, they are prepared to gamble with the future of this country," Mr St John, now back in his legal practice, said. "These cuts in capital expenditure will mean job losses, massive layoffs and social suffering of great magnitude."

Unemployment stands at about 20 per cent and the manufacturing sector has been hit by a contraction of markets in the Caribbean community (Caricom) and in the international computer industry for which Barbados is used by several US corporations for offshore assembly.

Mr St John estimates the proposed tax cuts will lose government over B$100m annually and that proposed cuts in expenditure would amount to B$54m, or two per cent of estimates.

A week before the elections, civil servants and teachers demonstrated in Bridgetown to press the demands of their unions for wage increases of over 20 per cent. The new Government will have to deal with this at the same time as its income starts to decline.

It is a considerable challenge but Mr Barrow is convinced it can be done.

"I want to get economic activity moving again. I want companies to be profitable again so that they can employ more and pay more."

In the 15 years he wasin office before, Mr Barrow, Finance Minister as well as Prime Minister, proved an able economic planner — as indeed, did Mr Adams and Mr St John after him. He inherits a long tradition of political and economic stability and both his sizeable majority and his proposed far-reaching reforms present him with considerable responsibility.

Scandinavian airline considers $3bn re-equipment plan

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SCANDINAVIAN AIRLINES SYSTEMS, the joint airline of Denmark, Norway and Sweden, is studying a replacement programme for its short-to-medium range aircraft fleet through the rest of this century, that could eventually cost up to $3bn (£2.04bn), much of it expected to be financed from interal resources.

SAS has a fleet of 60 McDonnell Douglas DC-9/MD-80 series jet airliners and eight Fokker F-27 turb-propeller airliners covering its European international and domestic operations. While all of these aircraft still have years of useful life, modernisation is continuing all the time, with new MD-80 series jets already introduced this year, with more to come.

But for the longer-term, SAS recognises that traffic growth, together with developments in short-to-medium range aircraft planned by the manufacturers, will necessitate a major long-term replacement programme before the end of the century.

The airline is studying three broad sizes of aircraft — 75-95 seats, 110-140 seats and 160-200 seats.

In the first category, possible aircraft include such turbo-prop types as the Franco-Italian ATR series and the British Aerospace Advanced Turbo-prop (ATP) and the Fokker F-100 twin-jet.

For the middle size, SAS is studying the Boeing 737-300, the McDonnell Douglas MD-83 and MD-87, and the Airbus A-320.

For the larger 160-200 seater, SAS is studying the projected 7J7 twin-engined airliner now under development by Boeing for service from 1992, using the revolutionary prop-fan engines giving up to 40 per cent improvement in fuel consumption over existing turbo-fan (jet) engines.

So far, SAS has taken no decisions on which aircraft to buy in any of these categories. At most, it would want no more than one type in each category, and preferably only two (the 110-140 seats and 160-200 seats categories could perhaps be met by one aircraft type) so as to keep equipment bills down.

Decisions may be taken within the next year or two, especially if Boeing formally launches the 7J7 in that period with orders from other airlines.

SAS has been working for some time with Boeing in defining the most suitable fuselage size for the 7J7, as part of the airline's own long-term plan to see developed a "people pleasing plane" or the "3P" as it calls it.

The "3P" idea has slotted neatly into the 7J7 idea, and SAS has already done much work in its development centre at Bromma Airport, near Stockholm.

Japan takes utility market by storm

John Griffiths assesses the enormous sales potential of four-wheel drive vehicles in Europe

EUROPEAN sales of passenger cars fitted with four wheel drive (4wd) systems will overtake those of light utlity vehicles like the Land Rover within two years, according to a new study from Automotive Industry Data.

The phenomenal growth being observed by both four-wheel-drive sectors, however, is predicted to lead to a near-tripling of total European four-wheel-drive sales between last year and 1991. Just over 260,000 were sold in the 15 main West European markets last year. By 1991, AID suggests, sales will reach 800,000 units.

Proportionately much the biggest increase will be experienced by cars, sales of which will rise from 108,230 last year to just under 500,000 units over the five-year period, according to AID.

The study couples a forecast of continuing strong sales growth in the utility sector with a warning that the main beneficiaries will be Japanese vehicle makers.

"The failure of the European manufacturers to respond to market demands with the right products will ensure that Japanese imports are virtually certain to remain the dominant force in utility vehicles," says AID.

Thus, while utility 4wd sales would more than double from around 154,000 last year to 320,000 in 1991, European production of such vehicles would grow much more slowly, from just under 100,000 last year to 135,000.

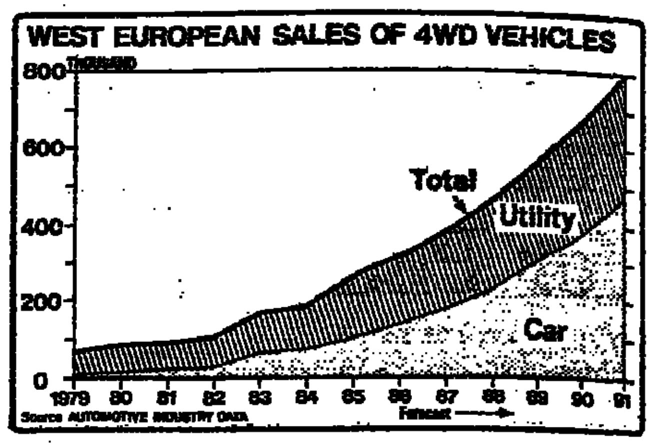
AID predicts a much stronger performance by European manufacturers in the 4wd cars sector. Pointing out that 4wd car output has increased 28-fold in three years from 2,484 in 1982 to 69,000 last year, it predicts European output of 620,000 cars in 1991, representing over 5 per cent of all new car production.

The surcharge for four-wheel-drive systems over two-wheel drive, it forecasts, will be reduced from an average of 30 per cent to about 10 per cent during the next five years.

While the advantages of four-wheel-drive have long been accepted in the utility sector, opinions have been divided until very recently about the virtues of 4wd for cars, given its extra cost, the study points out.

However: "The positive commercial marketing prospects for 4wd have now been recognised by the key decision-makers in virtually all passenger car companies the world over. Not just by the think tanks and advanced strategy departments, but by down-to-earth senior managers who are faced with the day-to-day product decisions."

Two years ago, only 11 makes of four-wheel-drive cars were on sale, AID points out. In the first quarter of this year, 37 were available. The AID study is critical of European utility 4wd producers for failing to heed the lessons of the North American market. There, Japanese manufacturers quickly spotted that Americans were coming to view 4wd as trendy and for leisure use and developed a wide variety of vehicles to fill this role.



The Japanese were no less quick to realise that "Europe was similar to the US and was potentially developing into a growth market for light, cheap and rugged-looking 4wds, but which offered none of the bone-shaking product characteristics of earlier, purpose-built models." They have since filled the marketplace with such vehicles, at European producers' expense, the study points out.

European 4 x 4 Prospects to 1991. Automotive Industry Data, 34 St John Street, Lichfield, Staffs, WS13 6PB.

Feasibility study for Sydney tunnel ordered

BY EMILIA TAGAZA IN CANBERRA

AUSTRALIA seems set to opt for an A$350m (£166m) underwater tunnel as the second harbour crossing for its busiest city, Sydney. The New South Wales state government has announced that the joint venture of Transfield Proprietary Limited, of Australia, and Kumagai Gumi of Japan will start next week an A$2m feasibility study on the project.

Mr Laurie Brereton, the NSW Minister for Public Works, said the study will be finished later this year but added he was confident the project would go ahead and the tunnel could be in operation by 1992.

If found feasible, the 2.4km tunnel project will be automatically granted to Transfield and Kumagai who originally proposed the project.

The NSW Government first invited proposals for Sydney's second harbour crossing in 1982. Increasing population and vehicular traffic had created bottlenecks at the only existing crossing, the Sydney harbour bridge. Four groups submitted proposals for a second bridge, a tunnel or a combination of both, but none was deemed acceptable.

In March this year, Transfield and Kumagai submitted a design for a tunnel whose price was lower than the 1982 tunnel plan. The proposed design was based on the Hong Kong harbour tunnel which Kumagai built.

The NSW branch of the to pay off costs partly through toll collections from the tunnel and through an increase in the toll for the harbour bridge. It hopes to repay all project-related borrowings 15 years after the tunnel's opening.

The NESW branch of the Australian Federation of Construction Contractors said that if the tunnel project went ahead, at least 65 per cent of the work could be expected to be sub-contracted by Transfield and Kumagai.

Test drillings to be conducted this month will gauge the quality and amount of material on the bottom of the harbour, and help determine the type and design of construction materials to be used.

India set to finalise car exports order

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S first major export order for cars is expected to be finalised soon following the launching in New Delhi yesterday of the second generation of 800 cc Suzuki saloons made by Maruti Udyog, the company jointly owned by the Indian Government and Suzuki.

A letter of intent has been given to Maruti by Hungary for delivery of up to 25,000 Suzuki's costing more than $78m (£53m). They will be delivered at a rate of 50 to 500 a year depending on the extent of barter arrangements.

Hungary wants India to buy components such as spark plugs and wiper arms and blades for use in the Maruti car, as well as some defence equipment and parts for hydroelectric power stations.

Orders of five to 10 cars a month have also been received from two of India's smaller neigbours, Nepal and Bangladesh, and inquiries have been received from Czechoslovakia and Mauritius for van and four wheel drive versions.

Although these are small orders, they are a significant success for Maruti which started producing the car in November 1983, after Suzuki beat competition from European and other Japanese companies for the technical-transfer joint venture. It was India's first new mass-produced car for some 30 years.

Just over 31 per cent of the car is being made in India. This is about 3 to 4 per centage points less than would have been achieved if the original Suzuki model had been maintained, Mr R. C. Bhargava, managing director, said yesterday.

The original indigenisation programme envisaged a figure 15 percentage points higher but the 31 per cent is expected to rise to an average of 47 per cent for this financial year, ending in March, and then move towards a target of 75 per cent in 1987-88.

Suzuki owns 26 per cent of the company's equity and has an option, which it might exercise next year, to go up to 40 per cent.

The remainder is owned by the Indian Government, but Suzuki wants to increase its own fund raising and managerial freedom by privatising this shareholding.

It has suggested that 35 per cent might be owned each by Suzuki and the Indian Government, with the remaining 30 per cent being floated on India's stock exchanges. This plan has not yet been approved by the Government.

More than 85,000 Suzukis are being produced this financial year. This is helping to boost India's annual car production from under 40,000 three years ago to over 100,00 this year, including the output of four other smaller producers.

Total Indian demand is estimated to be only 200,000 cars a year by the end of the decade.

The Government is considering how to deal with a surplus of private sector manufacturing applications from Citroen and Peugeot of France, and Honda and Toyota of Japan, as well as applications for modernisation of existing private sector factories from Isuzu and Nissan of Japan.

Burma plans to upgrade rice trade facilities

By Chit Tun in Rangoon

THE Burmese Government will soon launch a $79.9m (£54.4m) project with World Bank support to modernise and upgrade the milling and storage facilities of the country's state-monopolised rice export industry.

Under the project, which will offer business opportunities for foreign suppliers, six electrically-powered rice mills of 33,000 tons a year milling capacity each will be set up; storage facilities of 84,000 tons total capacity constructed; about 120 privately owned rice mills rehabilitated; and a plant for grading and mixing rice built near the port of Rangoon, the country's capital.

The International Development agency of the World Bank will support the project with a $30m soft loan. Financing will also be provided by Switzerland (about $5m), private rice-mill owners ($2.3m) and the Burmese Government ($40.5m).

On completion, the project is expected to increase earnings from rice exports, Burma's main source of foreign exchange income, by about $60m annually.

UK microchip company wins Chinese order

By Peter Marsh

PLASMA TECHNOLOGY, a UK semiconductor equipment company, is to sell to China 19 machines used to etch and deposit thin layers of chemicals in the production of electronic chips. The machines are worth £1m.

The order follows the relaxation in the rules by Cocom, the Paris-based organisation set up by Western nations to vet exports to Communist countries, on sales of advanced electronic equipment to China.

Previous efforts to export to China by Plasma Technology, which is based in Yatton, near Bristol, and expects annual sales this year of £6m, had been held up due to fears that the equipment could be used in military applications.

Mr David Carr, joint managing director of Plasma Technology, said that since the change in the rules in January, the UK Trade and Industry Department had moved quickly in producing the necessary export licences.

The Yatton company is selling to China two types of etching and deposition equipment, both of which are essential in the complex process of chip production.

Norway develops ship for exporting salmon

BY FAY GJESTER IN OSLO

A NEW TYPE of refrigerated cargo ship — a lightweight, twin-hulled vessel capable of doing 30 knots — will next month begin moving cargoes of Norwegian farmed salmon to a refrigerated terminal at Den-Helder in the Netherlands. It will take fruit and vegetables from European suppliers on the return journey.

Gods-Trans, the Norwegian company which has ordered the NKr 20m (£1.7m) ship, believes it will revolutionise transport patterns in the farmed salmon trade. It says shipping the fish by the sea route will be both cheaper and faster than transporting them in refrigerated lorries — the method now used to reach European markets. Chilled and frozen salmon destined for the US is sent by air.

Gods-Trans is a specialist in moving frozen and chilled cargoes, and also acts as a chilled cargo broker, buying and selling shipments. It owns the Den-Helder terminal and runs a fleet of about 40 refrigerated articulated lorries. Using these, it plans to create an integrated sea-road transport system, hinging on the Dutch terminal, to achieve maximum possible savings in cost and time.

The vessel, Anne Line, will pick up cargoes from fish farms all along the Norwegian coast, starting in northern Norway.

Fjellstrand, the Norwegian yard which is building Anne Line, did not publish details of the order until last week. Both it and Gods-Trans were keen to keep the secret of the innovative vessel as long as possible to avoid imitation by competitors.

THE MANAGEMENT PAGE: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Treading the knife edge of sensuality

Feona McEwan reports on different reactions to outré advertising

ONE OF the year's most arresting *commercials is for a new* fragrance for women called Obsession. Take a languid young woman, a young boy with a longing look and a young man with yearning in his eyes. "Obsession" whispers the voiceover.

Acclaimed by the US public. Banned from British television. Clever selling or pretentious rubbish? While opinion was divided, the US fashion designer and perfume purveyor, Calvin Klein, got selling. Just nine months after the launch, Obsession is a best seller for the exclusive US retailers which stock it.

Meanwhile in the UK, two commercials for Levis 501's, from advertising agency Bartle Bogle Hegarty, have gained a cult following and bucked up the jeans market no end. In one, a muscular young blade rises from a crumpled bed, limbers up on the window frame before sinking into a bath, Levis on, to achieve the tight-fitting look beloved of 1960s youth and now back in vogue. In another, a handsome unknown removes his jeans in a busy mid-American launderette *before bundling them into* a nearby washer.

Using sex to sell products has been a favourite ploy since the days of Queen Victoria, when a glimpse of stocking was something shocking. Advertisers have laced their adverts with liberal doses of spice whether remotely relevant (as in suntan oils, scent, underwear) or not (cleansing agents, kitchen wrap, cars) with varying degrees of clumsiness and crudity. In the trade press, sacks and forklift trucks were invariably draped with shapely female forms. Recently, however, sex has been presented with increasing finesse in advertising.

One man who has made a notable contribution to the debate is Barry Day, vice chairman and executive creative director of international advertising agency McCann-Erickson. Recently he entertained McCann's top clients in London to a witty treatise on the subject, based on his 30 years in the business.

"By the 1930s the female persona was neatly packaged," says Day. "Female freedom and free enterprise went hand in hand until the point was reached where it could be assumed that it was largely *advertising* that led women to believe that their most important task each day was to create an alluring self-image. Products — the magical, the mythical — became a way to express yourself. You were what you wore. Advertisers continue to instil the same feeling in us all today."

Later, in the 1950s and 1960s, the concept of suggestive advertising even spread to superficially unemotive household products; the Procter and Gamble genie (with bald head and one earring), the man from Glad (*as in clingfilm product* Gladwrap), and the white knight on his charger (courtesy of Ajax), were among the dramatis personae. Refering to the white knight charging towards the housewife, a Colgate executive is reported to have said: "Every housewife has been waiting for a white knight since she was a little girl. When we say 'stronger than dirt,' we are saying to her 'stronger than your husband'."

Indulge her fantasies

Day adds: "The housewife who would never seriously think of flirting with anyone but her husband could indulge her fantasies with a variety of hunky male visitors who entered her home while her husband was safely away—and she could do it courtesy of advertising."

Freed by the Swinging Sixties and the women's lib movement, sex belatedly came into the open in the advertising world in the 1970s, though, as ever advertising lagged behind real life. Just as the earlier stereotypes of women as housewife or drudge were grossly simplified, so the newer view of an all-performing wonderwoman was exaggerated. "Overnight, she was chairperson of the board, super sex symbol, loving wife, housewife extraordinaire, the ultimate over-achiever—and boring . . . even to herself," is the way Day sees it.

Definitions of what goes vary from culture to culture. Australia, Brazil and Japan, for instance, seem to share a strong line in the earthy approach.

One down-under ad for Cosmopolitan magazine features a couple dressed "black tie" arriving for a party. She removes her cape to reveal a topless dress and enters a room full of the same. The man turns to her and says: "Darling, you leave the others flat"—an ad that would never see the light of day in the US or UK.

Bob McLaren, international *creative director of SSC & B:* Lintas which handles the Impulse fragrance in 35 countries, knows about different social taboos. Malaysia, Pakistan and the Middle East, he says, are sensitive to any form of sexual innuendo. Western society, he believes, tends to be bored with permissiveness and responds to sensuality rather than sex. As a result, says McLaren: "There's now more realism in advertising."

The degree to which sensibilities can change over time is surprising. John Jackson, head of copy clearance at the Independent Television Company Association which monitors all commercials before they appear on air, says: "What is good taste changes." He recalls the days when lavatories on the small screen caused an outcry. Now the Andrex puppy, gambolling among the toilet rolls is a hot favourite with viewers. Today, sanitary protection products, currently undergoing a two-year trial on UK television, are causing complaints from the public.

One product that has been increasingly imbued with sexual allure is blue jeans. As they have moved upmarket from hard-wearing working men's wear to designer gear, jeans have come to epitomise the "you are what you wear" selling approach. Advertising has played an important part in the transition. There was Brooke Shields in the US telling us "nothing came between her and her Calvin's" and ads for wrinkled jeans in Brazil (where "wrinkling" means fooling around) showing the woman taking the lead and making a pass at the man in an aggressive lunge.

At least, says Day, in the 1950s, you knew where you were. "One thing you knew for sure, girls were girls and boys were boys." Now we have gender bending; the androgenous look made popular in pop videos has been picked up in some advertising. A Brazilian TV commercial for bedroom furniture, for instance, stars a glamorous — apparently female — model who turns out to be a man, Roberta Close, the country's well known transvestite. Klein, who Day holds to be *the high priest of erotic* advertising, has made sex work to his advantage. His US Obsession ads created outrage. Some Americans even cancelled magazine subscriptions in protest. Likewise his work for men's style underwear for women (see illustration) has caused a frisson and done wonders for sales.

Ads for Calvin Klein underwear: setting new boundaries

Day maintains that Klein is flattering the audience's intelligence by, for example, leaving out the product in his fragrance ads, suggesting complex relationships and playing on the sensual rather than basic aspects of sex.

Klein's ability to get away with such visual sophistication is made possible by a visually educated audience, reared on pop videos and schooled in the language of film.

"Less is now more and in the end sex is less about pulsating flesh than what goes on between the ears," as Day puts it.

He recalls a Martini ad featuring a kiss. In Spain the act was cut just before the lips met and the result turned a barely noticed moment into a sensuous one.

Day points out: "In products like perfume where glamour is part of the product, advertising is a key element. You buy the advertising. Martini is like perfume in this way. It must have glamour." However, visually sophisticated ads are still the *exception.* "*There's always* the 1950s style ads around . . . but on the cutting edge we do seem to be getting more relaxed about sex, less head on about it," says Day.

But does it work? "To use sex deliberately as a means of communication is to tread a *knife edge. If you use it overtly* you'd better make sure it's for a product that's relevant. But if sex is used as a gratuitous attention-grabbing device, self consciousness sets in. Embarrassment and put-downs lead to rejection which is not the object of the ad," he says.

On the other hand, tasteful sensuality, humorous implication, can work perfectly well because it takes the edge off embarrassment. To share a joke takes the curse off personal confrontation. It says we have something in common. Now, what is it you wanted to sell me?

"In advertising, as in life, we're getting to the point of accepting in our new maturity that sex, though utterly *important* is not really that *serious.*

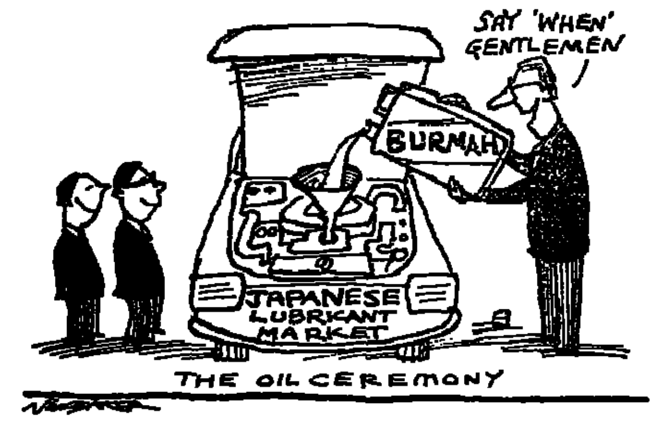
"And the advertiser who gets that balance right can cross that kinfe edge, get safely to the other side and sell like hell."

Exporting to Japan

How Castrol oiled its path

Carla Rapoport reveals Burmah's oriental patience

BRITISH COMPANIES, by and large, have not done too well in Japan. *Big Macs* and *Coca-Cola* can be found outside almost any major shrine or temple. BMWs are fast becoming the chosen car of the nation's swelling ranks of upwardly mobile professionals. But most well-known British goods have yet to crack the notoriously difficult Japanese consumer market.



This fact was known only too well by the UK-based Burmah Oil, which spent a fruitless 10 years in Japan selling very little and losing quite a bit of money. About four years ago, however, Burmah started doing things differently. Today, in a small but encouraging way, Burmah has a profitable, growing Japanese business.

Burmah, which now calls itself an international marketing company, made its break into Japan with Castrol, its branded motor lubricant. While Castrol's story offers no magic formula for those who are keen to emulate Burmah's achievement, it does prove, once again, that there is nothing mysterious or impenetrable about Japan. Increasingly, it seems, those who do their homework and make their investment can also make money in Japan.

Castrol's story in Japan begins with Victor Good, director of Castrol in the eastern hemisphere, who has been visiting Japan for 16 years. An affable man, Good displays a mixture of curiousity, patience and old-fashioned good manners which seem to mark the successful foreign businessmen and women in Japan.

"The trouble is, so many of us come to Japan, take a quick look and say this distribution system is for the birds. We can teach them a thing or two, is the usual attitude," says Good. On the contrary, he says, foreign companies should take the time to learn how things work in Japan and then consider how to plug their products into the system.

In Castrol's case, this strategy went into force in 1982. The $1.5bn a year motor lubricant market in Japan is all but tied up by the Japanese oil companies and associated petrol stations. However, a market research survey showed that about 11-12 per cent of the market is covered by independent retailers, who stock auto parts and equipment for home mechanics. It was this unaffiliated distribution system that Castrol decided to zero in on.

By applying market research, Good says, "we found the only *way to attack would be a consumer* - oriented advertising programme which would pull demand through from the customers and get retailers excited about stocking the product." After a test-market advertising blitz, Castrol went the whole hog and started a national campaign. *From 1982 to date, Castrol has* pumped Y3bn (£11.8m) into advertising, mostly on television, in Japan.

It worked. Sales, which had been stagnant for years at around 1000 tonnes a year, have jumped to 7000 tonnes, worth about $17m. Masahiro Hashimoto, *president of Castrol's* Japanese company, has forecast sales of 15,000 tonnes a year by 1990.

Good had estimated that the new operation would break even in seven years, but it started earning money after three. Last year Castrol earned £65m, of which Castrol Japan accounted for £1m, he says. Three years ago, Castrol Japan ranked last in Castrol's Eastern hemisphere sales league; now it is fourth after Australia, South Africa and India.

Before the advertising campaign, says Good, "distributors and retailers didn't know and didn't want our product, or if they did, they didn't understand our idea of (profit) margins." Now, thanks to the product's high profile, Castrol has 5,000 outlets and finds that distributors are now coming to Castrol rather than the other way round. Castrol Japan also has a large sales service staff, each member of whom visits about 30 customers a week to ensure they are satisfied and properly stocked.

But Japan means more to Burmah than the consumer market for motor oil. For years, the UK company has had its eye on the large industrial oils market in Japan. The company would like to sell production oils, cutting oils and other industrial products to the *Japanese industry both in Japan* and in overseas production locations, says Good. To this end, Burmah spends Y25m a year to maintain an "international motor liaison officer," who visits all the big motor manufacturers in Japan on a regular basis. He makes no sales, but simply introduces *Burmah's technical people* to contacts he has made at the motor-makers. Burmah, Good says, is sharing its technical know-how up to a point, in the hopes of sales in the future.

Isn't this a frustrating way to do business? "It drives me nuts in terms of the length of time it takes to do it. I've been coming here for more than a decade and I realise nothing is easy here for the foreigner. But it can be a very worthwhile market in the end."

"Why do we pay attention to Japan? It's the second largest lubricant market in the world and it would be ridiculous if we called ourselves an international marketing company and we weren't in Japan. We'd like to become here, over time, what we are in the UK and Australia," says Good.

As a result, Burmah's next five years in Japan may prove more interesting than the last.

UK NEWS

Thatcher attacks critics of tax cuts programme

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MRS MARGARET THATCHER, Prime Minister, yesterday mounted a fresh and fierce assault on critics calling for the Government to abandon its plans for further tax cuts.

In a direct attack on those, including some members of her own Cabinet, who are calling for higher public spending to take priority over tax cuts, Mrs Thatcher forcefully underlined her determination to keep faith with the 18m people on below average earnings.

They looked to the Government, she said, to let them keep more of what they earned and saved. Caring, in its true sense, was about not overtaxing those who had to live on modest incomes and she was concerned that they were still paying too much income tax.

The message, delivered to some of her most resolutely faithful supporters at the Conservative Women's Annual Conference in London, was repeated by Mr Nigel Lawson, Chancellor of the Exchequer, who told the same gathering that the Government was "only half way" to a basic income tax rate of 25 per cent and that further reductions in the tax burden depended on keeping a firm control over public expenditure.

Mrs Thatcher, flanked by Mr Norman Tebbit, the Conservative Party chairman, and Mr Peter Archer, the deputy chairman, restated her belief in the power of tax cuts to stimulate the economy.

Lower taxes, she promised, would create more jobs and the wealth needed to sustain social services, as well as give people greater freedom to spend their money as they wished.

She said the Government intended to stick to the principles of sound financial management of setting priorities within a controlled

Margaret Thatcher: Keeping faith with the low-paid

budget and of ensuring that resources were used effectively and *efficiently*.

Public services should not be measured by just how much tax payers' money they took, but more by the standards of service they provided. In a remark which could provide some comfort for those ministers and Conservative MPs callings for higher public spending at the expense of tax cuts, Mrs Thatcher said that both were possible and had already been achieved.

"Some people talk as if there were a simple choice: are you on the side of more public spending, or are you on the side of tax cuts? People who put it that way assume that the national cake is always the same size and that a bigger slice here means a smaller slice there. But it is just not true if the national cake is getting bigger," she added.

Mrs Thatcher said the Government had consistently demonstrated its commitment to the health and social services. The Opposition, she claimed, had tried to drown the facts "in a flood of hostile propaganda," although the Prime Minister admitted that the Conservatives' achievements had not been proclaimed loud enough.

In a characteristically defiant defence of the Government's record on public spending, Mrs Thatcher pointed to higher spending on health, on defence, the police and pensions, and said it had fought battles and won ground which other political parties had feared to take.

"Some say the time has come to relax. But success does not come to those who just want a bit of peace and quiet. That is not the way of this Government or of any responsible government, for Britain can never prosper through dodged decisions, fudged choices or lost directions."

Mrs Thatcher went on to outline what she described as the "four challenges of our time," which the Conservative Government now had to address. They involved the creation of more jobs, and improvement in education standards, including the rejection of political indoctrination in favour of true learning, the challenge of East-West relations and the challenge to society from violence and intimidation.

On violence, Mrs Thatcher recounted the recent New York mugging of Lady Tucker and left her political opponents in no doubt that she identified closely with the 'marvellously plucky' 87-year-old. Lady Tucker, the Prime Minister said, had frightened off her assailant with 'that indispensable item of equipment, the British umbrella.' She suggested it would be the last time the mugger would 'have a go at a lady from Britain.'

FAIR TRADING DIRECTOR QUESTIONS 'MERGER MANIA'

Takeover policy to be reviewed

BY DAVID BRINDLE

THE GOVERNMENT is expected this week to announce details of its long-awaited review of competition policy, covering all aspects of company mergers and restrictive trade practices.

Senior ministers are looking to the review to deal in particular with two issues: the time taken by the Monopolies and Mergers Commission to deal with references made to it; and the impact that a reference can have on a merger bid.

It is felt by some ministers that the mere act of referring a bid, rather than the commission's recommendation or subsequent government decision, is increasingly being seen as a verdict. There is concern that the system could thus be deterring companies from following through their bids.

The review, which will be conducted internally but will involve outside consultations, is also expected to consider possible changes in the balance of scrutiny between the commission and the Office of Fair Trading.

The intention to hold the review was first announced last autumn and opposition politicians have been critical of the delay in progress at a time of intense merger activity in the City of London.

Ministers believe, however, that existing merger policy has been working fairly satisfactorily. They contend that while decisions on mergers have not always been universally welcomed, they have been entirely consistent in their basis in competitive factors.

● Aspects of the "almost hysterical" merger boom of the last six months were criticised yesterday by Sir Gordon Borrie, director general of the Office of Fair Trading, Richard Evans writes.

In his annual report, Sir Gordon emphasised that in his view the public interest was being safeguarded by existing rules on mergers. "The flexibility built into the system ... was able to cope very well with merger mania," he said. But he expressed sympathy with those who doubted "whether the frothy and almost hysterical merger boom ... was an entirely healthy phenomenon."

The substantial costs of mounting and defending bids had all to be met ultimately from the profits of the businesses which were bought and sold. These transactions, Sir Gordon declared, made heavy demands on management time and it had been suggested that the constant threat of takeover might have an undesirable effect on companies' strategic planning.

As well as criticising the broader economic effects of the merger boom, Sir Gordon disapproved of some of the techniques associated with it.

He said he had not been favourably impressed by the growing emergence of paid avertising which was providing very profitable business for the professional and financial firms that advised on bids.

Sir Gordon, one of whose functions is to advise on whether proposed company merger should be referred to the Monopolies and Mergers Commission, stressed that takeovers were part of the competitive process. He would be the last to argue for extra protection for sleepy and inefficient managements.

Rail leader predicts takeover bids

BY PHILIP BASSETT, LABOUR EDITOR

US COMPANIES such as General Motors are likely to try to buy the remaining parts of British Rail's workshops after the latest round of job cuts and closures, Mr Jimmy Knapp, general secretary of the National Union of Railwaymen (NUR), told the House of Commons' all-party transport select committee yesterday.

Leaders of the NUR and the Confederation of Shipbuilding and Engineering Unions will today spell out the details of their balloting on industrial action over the British Rail board's recent announcement of further cuts in the BR engineering (Brel) railway workshops.

Mr Knapp told the committee that the workshops had lost 17,000 jobs since 1981 and a further 8,000 jobs were to go before March, 1989.

He argued that cuts of this scale were not about cost-effectiveness, but were being made in advance of privatisation. He told the committee: "It is another Landrover in the offing."

Referring to the now abandoned Government plan to sell off parts of BL, he said General Motors was one of the leading contenders for BL's truck division.

Mr Knapp said: "I am convinced that US companies such as General Motors will be in like a shot if they get the opportunity to take over the locomotive manufacturing capacity of this country."

The net effect of the reduction was that BR would no longer be able to service its own trains, and forecast that in future the board would not have the ability to build its own locomotives, but would have to rely on imports.

Mr Knapp made a plea for more investment in the industry – he said government investment in the railways should be a third higher than at present

Mr Ray Buckton, general secretary of the train drivers' union Aslef said that there were far more breakdowns, far too many trains late and far too many people "packed in like sardines" because of financial restrictions on the railway's operation.

Channels for radiophones to be increased

By Jason Crisp

THE NUMBER of radio channels for Cellnet and Vodafone, the cellular radiophone operators, is to be doubled in central London – the one area in the UK where there are congestion problems which can limit the size of the system.

The Department of Trade and Industry (DTI) has persuaded the Ministry of Defence (MoD) to part with radio frequencies immediately below the band where the two networks are now operating.

The MoD, which does not use the frequencies in London, is understood to have agreed in principle and only a few minor details are outstanding.

The DTI's Radio Regulatory Division would only say yesterday that exploratory discussions were taking place with another government department.

Demand for cellular radio has been much higher than expected and it is regarded as one of the most successful aspects of Britain's telecommunications liberalisation.

The two companies are each investing about £200m in their networks. The 35,000th user joined the Racal Vodafone network yesterday while Cellnet, a subsidiary of British Telecom, has about 36,000.

The decision to give the networks more frequencies is intended to resolve the congestion which is expected to occur at the end of next year, when there will be nearly 200,000 car and portable telephones in the country. Cellnet has recently spent £22m expanding its capacity in London.

The new frequencies will mean Vodafone and Cellnet will have to spend more on their networks and it is expected to add about £25 to the cost of the telephones. Another snag is that existing radiophones will not be able to use the frequencies.

Both networks have recently urged the Government to give them an additional 400 channels which have been reserved for a pan-European cellular radio system which is not expected until the early 1990s. These are immediately above the 600 channels allocated for the existing service.

The DTI was reluctant to do this because it might weaken British efforts to participate in the pan-European system.

The move to seek to use military frequencies – giving about 700 channels – was taken by the DTI's Radio Regulatory Division which has close links with the MoD.

The two network operators are divided on the desirability of the move.

Mr Chris Gent, managing director of Racal Vodafone, says there may be technical difficulties in getting the mobile telephones to cover such a wide spectrum.

Mr John Carrington, chief executive of BT Mobile Communications, said this week he would like to use other frequencies. Cellnet no longer wanted the pan-European frequencies.

Hawley in takeover deal with Pritchard

HAWLEY GROUP and Pritchard Services Group will today announce details of an agreed takeover valuing Pritchard at a little over £150m and creating the largest company in UK office cleaning, David Goodhart writes.

Hawley, which is registered in Bermuda and has grown rapidly in the service sector of both the US and UK, originally launched a contested one-for-one share offer for Pritchard on May 13.

Despite subsequent attempts by Pritchard to seek a "white knight" with the aid of the US merchant bank Goldman Sachs, and its most recent announcement of three minor divestments, Hawley has looked well placed to win control. After making its first bid Hawley immediately bought 29.9 per cent of Pritchard.

Several hours of talks have taken place over recent days between Mr Michael Ashcroft, chairman of Hawley, and Mr Peter Pritchard, chairman of Pritchard, and yesterday the companies jointly announced the suspension of their shares pending an announcement.

It is understood that in return for a recommendation to accept from the Pritchard board, Hawley has agreed to supplement its original one-for-one offer, marginally boosting the value of the bid.

Pritchard – which like Hawley has grown rapidly in the service sector on both sides of the Atlantic – became vulnerable to a bid after last month's announcement that pre-tax profits had fallen from £15m to £10m on turnover of £412m. Hawley made pre-tax profit of £33m on turnover of £391m in 1985.

☐ EUROPE's fast reactor club is making good progress in reducing the cost of the fast reactor close to costs for present day reactor systems, the European Nuclear Congress was told in Geneva.

European electricity companies will pay for the design and construction of three commercial-sized fast reactors, called Euro 1 in France, Euro 2 in West Germany, and Euro 3 in Britain, under the European fast reactor research and development programme.

British designers believe they have already whittled away to almost nothing the one-fifth extra capital cost formerly estimated for their reactor when compared with Britain's latest advanced gas-cooled reactors nearing completion at Heysham, Lancashire.

☐ HOUSE OF LORDS completed its longest sitting since the Second World War yesterday morning. Its debate on the committee stage of the Gas Bill finished just before 10 am after a sitting lasting 19 hours and 38 minutes. The length of the sitting was made necessary because of the strength of Labour and Alliance opposition to the Gas Bill, which privatises British Gas.

☐ PROFIT-SHARING plans being considered by the Government will be outlined in a consultative paper next month, Mr Nigel Lawson, Chancellor of the Exchequer, said.

The plans to encourage profit-sharing were first aired in Mr Lawson's budget in March. He said that the aim was to encourage greater flexibility in pay with a view to reducing the need for companies to sack workers when their business declined, and to increasing overall levels of employment.

☐ REDIFFUSION Simulation of the UK, which makes flight simulators for airlines, has won a multi-million pound deal from Douglas Aircraft, part of the Mc Donnell Douglas group of the US. The deal is for a flight simulator for the MD-82 airliner for the People's Republic of China.

☐ STOCK market investors are to be given an ombudsman to arbitrate on any disputes and complaints they have against stockbrokers. The Council of the London Stock Exchange has decided to appoint the ombudsman as soon as possible so that he will be installed before the re-structuring of the stock market in late October. His terms of reference however have yet to be fixed.

Ruling on damages may not be challenged

By Raymond Hughes

A COURT ruling that has exposed trade unions to damages claims from people affected by unlawful industrial action seems likely to go unchallenged.

A solicitor for the National Union of Railwaymen (NUR) and the Associated Society of Locomotive Engineers and Fireman (Aslef) said yesterday that it was "extremely unlikely" that they would appeal against a ruling by Sheffield County Court last month that they must pay £153 damages to a man who was stranded in London because of a 24-hour rail strike.

When Judge Henham gave his judgment on May 7 it was anticipated that the two unions would challenge the decision in the Court of Appeal and, if necessary, up to the House of Lords, because of its implications both for themselves and other unions.

It is likely that tactical considerations have caused the NUR and Aslef to change their minds. Not only was there no certainty that they would succeed in overturning the ruling on appeal, but a decision against them by the Appeal Court or the Law Lords would have much greater future impact than that in the County Court.

Rulings by the higher courts would be precedents binding on courts in any similar cases; that of Judge Henham binds no other judge, although it might well have considerable persuasive force.

The rail unions may be hoping that, if it is not appealed, Judge Henham's decision, unreported in any of the official law reports citable in court, will disappear from view.

Even if it does, it may not happen soon enough to help the Union of Communications Workers. Lawyers have been getting inquiries from people affected by the recent unofficial action by postal workers, asking if they can take advantage of the Sheffield ruling.

The ruling has, almost certainly, put a hitherto unsuspected power into the hands of members of the public by establishing that they can go to court and recover damages for any loss they can prove was caused by unlawful union action.

Lawson says Britain to press for EEC reform

BY HAZEL DUFFY

BRITAIN will be pushing for reform of the basics of the European Community during its six-month presidency, rather than spending time on details. Progress towards achieving the completion of the internal market and steps towards the reform of the Common Agricultural Policy (CAP) are seen as the major topics.

Mr Nigel Lawson, Chancellor of the Exchequer, gave this message yesterday to the monthly meeting of the National Economic Development Council, on which government, employers and unions are represented. There was considerable support at the meeting for the main thrust of Government policy on the EEC.

This was due largely to the announcement by the Trades Union Congress (TUC) that it was conducting a reappraisal of its position on the EEC after the accession of Spain and Portugal.

Mr Clive Jenkins, representing the TUC – which was against Britain joining the EEC – expressed strong support for the Government's efforts to reform CAP, described by Mr Rodney Bickerstaffe, of the National Union of Public Employees, as "a sick and expensive joke in a starving world."

A more cautious stance was taken by the unions on the implications of EEC policy towards freeing the capital markets. Mr Jenkins, *the general secretary of the white-*collar union ASTMS, said that they feared "random changes." He called for a careful approach on the large changes in ownership and control of industry as Europe became more cohesive. He asked specifically for a sensible policy on mergers.

Disappointment was expressed by the TUC at the slower rate of growth in the EEC than in other developed regions. It called for a more interventionist industrial policy at an EEC level based on a sectoral approach.

The Government's EEC policy was welcomed by the Confederation of British Industry, particularly in relation to the internal market, agriculture, a European approach *to Gatt and competitiveness.*

Shipping lines to share container capacity across north Atlantic

BY LYNTON McLAIN

ATLANTIC Container Line and Hapag-Lloyd of West Germany have agreed to share container capacity on each other's vessels on the north Atlantic.

The agreement, announced in London and Hamburg yesterday, is an attempt to counter excess container capacity on routes between Europe and the east coast of North America.

ACL also confirmed yesterday its intention to lengthen its five third-generation container vessels. These include the Atlantic Conveyor, built at Swan Hunter on the Tyne for Cunard to replace the ship of the same name lost in the Falklands conflict. The vessel had its maiden voyage in January last year. Cunard is part of Trafalgar House.

The vessels will be lengthened by 42 metres to 292 metres, just one metre shorter than Cunard's QE2. Each vessel will be able to carry the equivalent of up to 600 more containers.

The lengthening is to increase the options for ACL's future employment of its four first-generation vessels.

ACL is a partnership of six European shipping companies – Cunard Steam-Ship; Compagnie Generale Maritime of France; Wallenius Line, Swedish American Line and Transatlantic Shipping of Sweden; and Incotrans-Intercontinental Transport of the Netherlands.

Hapag-Lloyd is the largest shipping company in West Germany, although its vessels account for only 30 per cent of the company's business.

Mr Bengt Koch, the president of ACL, said the agreement with Hapag-Lloyd was a "fundamental change in our trade and for the two companies."

Mr Koch said the aim was to "rationalise schedules on the north Atlantic, burn less fuel, have the free use of each other's containers and to operate as one unit when dealing with suppliers of services such as stevedores."

Printers vote on Murdoch offer

BY HELEN HAGUE, LABOUR STAFF

THE DEADLINE set by Mr Rupert *Murdoch's News International* for acceptance of its – "final offer" – to its 5,500 sacked print workers expires tomorrow.

News International, which publishes The Times, Sunday Times, Sun and News of the World, has offered a total of £50m in compensation and the company's old printing plant and offices in Gray's Inn Road, London. The workers were sacked for going on strike over the company's move to a new printing works at Wapping, east London.

All three print unions involved in the dispute – Sogat '82, the National Graphical Association (NGA) and the Amalgamated Union of Engineering Workers – will have completed ballots on the offer by tomorrow.

The NGA began balloting its 900 sacked members at a mass meeting last night. The members are expected to reject the offer as it does not provide for jobs or union recognition at the Wapping plant.

The 192 sacked engineers vote tomorrow.

Sogar, representing the largest number of sacked workers, will complete a secret postal ballot by 5pm today and the result is expected tomorrow. Senior officials expect it to be close.

UK NEWS

Channel Tunnel Bill finds way through parliamentary maze

BY MICHAEL CASSELL

EVEN SINCE Mrs Margaret Thatcher, the Prime Minister, and President François Mitterrand of France met in February to put their signatures to the Channel tunnel treaty, the French have watched with mounting incredulity as Europe's biggest civil engineering project has become bogged down in a uniquely British procedural quagmire.

The incomprehension shown in France, where a presidential decree tends to pave the way for immediate progress, has at times been shared at Westminster, where a series of unforeseen stumbling blocks have frustrated the passage of legislation designed to turn a political dream into a £5.5bn reality.

Today, the Channel Tunnel Bill will have its second reading in the House of Commons, but only after negotiating a maze of perplexing parliamentary rules and regulations rarely employed at Westminster.

The legislative problems, which some believe have come perilously close to endangering the entire project and which may yet prove a continuing source of embarrassment to the Government, stem principally from the speed with which ministers have attempted to push through parliament approval for a project which is every bit as politically controversial as it is technically impressive.

Little more than a year ago, the construction of a fixed link between England and France remained an uncertain prospect. But a renewed determination in Paris and London has since seen the political groundwork move forward at a pace which has been condemned by British opponents of the tunnel and even by supporters concerned that objectors were being denied the right to state their case.

In rapid succession, the Government has announced the Anglo-French tunnel plan, launched a competition to find the construction consortium, evaluated the bids, picked the winning team and started the legislative programme.

From the outset, ministers decided not to hold an inevitably long drawn-out public inquiry, which could have stifled the fresh political momentum attached to the project. They chose instead to opt for a hybrid bill procedure, designed to reflect the unique characteristics of the tunnel scheme and yet give objectors the chance to protest to a special select committee set up to consider the legislation.

As an essentially public bill affecting a range of private interests, most noticeably those of landowners in Kent, south-east England, the hybrid procedure was considered by ministers to be the most appropriate route. But the timing of the Anglo-French agreement meant that the bill was introduced late in a parliamentary calendar and it immediately fell foul of the rigid timetable laid down for hybrid business.

Special dispensation for the timetable to be suspended, so that the bill could proceed, had to be sought from the Commons standing orders committee, which had not previously had to consider the fate of any late hybrid bills since 1955.

Opponents of the tunnel project, including local MPs, ferry companies and trade unions, seized their opportunity to press home their claim that the Government was attempting to stampede the bill through parliament, allowing an impossibly short period for objectors to petition the select committee.

The standing orders committee found itself in an almost unprecedented position, its decision capable of having a profound impact on the future progress on an important piece of legislation.

Faced with a choice of letting the bill proceed without further delays, sending it back to square one or extending the petitioning period, the committee's members split down the middle. Mr Harold Walker, the chairman, happily redirected the dilemma back to the Commons.

For the first time since 1920, the standing orders committee had failed to decide on whether to suspend the orders governing parliamentary business.

On Tuesday night, the House debated the issue and a broad hint from Mr David Mitchell, Transport Minister, that the Government was prepared to extend the proposed petitioning period by an extra 10 days to June 27 – making 10 weeks in all – was enough for the Government to win a 198 majority in its bid to get standing orders suspended.

Mr Peter Shore, who led the Labour opposition's attack on the Government's tactics, rather than any criticism of the tunnel project itself, said the bill should be reinstated in November, so that opponents could be given a full and fair hearing.

In objecting to the Government's tactics, he found himself in agreement with several MPs on the other side of the House, like Mr Michael Howard. He, as Trade and Industry Undersecretary, was unable to voice his direct criticisms, as MP for Folkestone in Kent, of the Government.

He did so through Mr Leon Brittan, the former Trade and Industry Secretary, who pointed out that many people and organisations were opposed to the projection on economic and environmental grounds.

Today's second reading should finally divert attention away from the procedural niceties of the Channel Tunnel Bill back to the central argument over the national and local economic impact of the tunnel's construction. Ministers will be relieved at the outcome of this week's deliberations and are confident that the bill is back on course. But there could still be problems ahead before the bill wins Royal Assent, construction work can get under way and plans for a suitably grand opening ceremony in mid-1993 can be finalised.

Lord Pennock, chairman of Eurotunnel, the Anglo-French consortium picked to build the twin 50km rail tunnels under the Channel, said yesterday that construction work was still expected to begin in April or May next year. Investors' confidence, he emphasised, would be boosted by today's second reading and any minor delay in a start to the project would not be significant in the context of a six-year construction programme.

Leading opponents of the tunnel, like Mr Jonathan Aitken, a Conservative MP for Kent, believe that the Government will deeply regret its decision to abandon the public inquiry route. "The hybrid bill procedure is about to be tested, possibly to destruction, in an unprecedented way," he says.

Unionist spirits lifted by Anglo-Irish impasse

BY HUGH CARNEGY

GIVEN the past winter of dour and often violent opposition to the Anglo-Irish Agreement, and the prospect of an equally turbulent summer ahead, there is a curiously upbeat mood among some Unionists in Belfast at the moment.

After six months of living with the agreement which gives Dublin a say in the affairs of the province, the Unionist camp suddenly seems buoyed by the realisation that the accord has not achieved very much. Loyalists have seized on this as evidence of the success of their campaign against it.

"Our opposition to the agreement has been far more effective than any of us would have imagined six months ago. It has not taken root. The Anglo-Irish agreement is on the way out," declared Mr James Molyneaux, leader of the Official Unionist Party (OUP), to great applause at a meeting on Monday evening.

The well-attended gathering, which was part of a series across Northern Ireland held by Mr Molyneaux and the Rev Ian Paisley, leader of the Democratic Unionist Party (DUP), struck the onlooker in a number of ways. With its Bible readings, lack of public address system and singing of God Save the Queen, it illustrated the old-fashioned nature of Unionist politics. It rang with laughter as Mr Molyneaux and Mr Paisley laced their speeches with jokes and banter.

The meeting also had a strangely unrealistic air because it seemed oblivious to the political impasse and paid no heed to the tensions which have existed within the OUP-DUP alliance.

The Government, fed with the Unionists' refusal to enter any talks while the agreement remains in place, has apparently accepted the impasse for the time being. It has signalled its intention very shortly to dissolve the Northern Ireland Assembly, elections to which in the autumn might have held out the prospect of progress towards devolution.

Ministers insist that this does not imply that they have given up any hope of all party agreement on devolution, but they do say that the time is not ripe even to make a judgment on how to proceed towards it.

Nor does there appear to be any sign of concrete measures of the type advocated by the Nationalist community as a result of the Anglo-Irish conference before the autumn. The concern is, in the words of one Northern Ireland minister, "to hold the line" against anticipated Loyalist violence over the summer."

For some months now, the spate of Protestant commemorative marches before and after July 12, when Unionists celebrate the victory of William of Orange over James II at the battle of the Boyne in 1690, has been seen by all sides as a crucial test of will that will dictate the course of events afterwards.

This is because Loyalists have declared that they will not accept any police rerouting of traditional marches away from nationalist areas which they regard as a direct response to pressure from Dublin. The Government, equally, cannot afford to give way to such a challenge to its authority.

Stuck in the middle is the predominantly Protestant Royal Ulster Constabulary (RUC), which will come under severe pressure as it did in March and April over its handling of earlier demonstrations when many RUC families were attacked by Loyalists.

Last year, the RUC rerouted only 15 out of nearly 1,900 parades and banned two, but in subsequent clashes 260 officers were injured. This year, a similarly small number may be objected to, but any rerouting will raise tempers.

Mr Peter Robinson, deputy leader of the DUP, says rerouting must be opposed but not necessarily through violent clashes with police. That, said a senior member of the paramilitary Ulster Defence Association, was wishful thinking.

The UDA believes that the attacks on the RUC in March and April had the biggest effect in slowing down implementation of the Anglo-Irish agreement and that the force is still susceptible, despite official insistence that it will not crumble.

Although the summer marches are organised by traditional groups such as the Orange Orders and the Apprentice Boys, it is the paramilitaries and groups such as the relatively new Ulster clubs, a province-wide Protestant fundamentalist organisation, that are likely to be at the sharp end.

Opinion in the province differs on to how "hot" the summer will be, but the answer seems to be being left up to the hardliners to dictate, and will depend on how much support they can muster.

Certainly, for all their upbeat statements, the two Unionist parties appear to be as governed in their options by what may happen on the street as are London and Dublin. "It's street politics which is successful and they all bloody well know that," the UDA man said.

Hopes of Geevor resumption dismissed

By Stefan Wagstyl

MR EDWARD NASSAR, who this week joined the board of stricken Geevor Tin Mines, yesterday said that it was unlikely that the mine would resume production in the near future.

Geevor on Tuesday postponed a decision to stop maintenance work and permanently close its mine after Mr Nassar was elected a director. The board intends to meet again tomorrow week.

Mr Nassar, who bought a 18.8 per cent stake in Geevor in February, yesterday dismissed hopes that the delay indicated that the company might restart mining. It ceased production in April, laying off most of its 358 workers, after it plunged into loss in the wake of the fall in tin prices which followed the international tin crisis.

Mr Ken Gilbert, Geevor's deputy chairman, who led the unsuccessful fight to win government aid for the company, said that the group was now looking at any possibilities of preserving its assets.

It might be possible to earn enough money from tourism to cover some of the maintenance costs, he said. Geevor already has a small tin mining museum.

Mr Nassar, who is based in Switzerland, is chairman of Jantar, a company with interests in the Nigerian tin industry. He also controls Blue Bird Confectionery of Birmingham, and has other interests in trading and property.

● The three Cornish tin mines for which the Rio Tinto-Zinc natural resources group is seeking government aid are "potentially more viable" than the Geevor mine, according to Mr Paul Channon, Trade and Industry Secretary, **David Brindle writes.**

The minister has also said the Government needs to look quickly at "the whole issue of Cornwall and what can be done."

Mr Channon's comments indicate that the Government is concerned at the social and political consequences for Cornwall of the international tin crisis and is looking more favourably on the RTZ aid application than it did on that of Geevor.

However, the minister stressed that he was not raising hopes of approval of RTZ's bid for assistance for the Wheal Jane, South Crofty and Pendarves mines.

OVERSEAS NEWS

Robin Pauley examines Australia's beleaguered economy

Caught in a series of interlocking traps

THE AUSTRALIAN economy is poised like a surfer skimming a giant curling wave: it will either gracefully ride out the current foaming crisis, or it will be overwhelmed and, like the surfer, crash over in a "*wipe out.*" There *is* no middle way.

The economy has registered one of the fastest growth rates in the OECD area in recent years, but is also deeper in real crisis than most other OECD economies.

The country is an endless list of such paradoxes: a huge land mass with a tiny population, a high-wage economy with low productivity. Third World balance of payments problems coupled with the most sophisticated First World financial innovations.

Nobody is clear in the debate about whether the most likely course for the economy will be to become competitive with the super - efficient competitor nations of Asia or to slump to the irredeemable depths plumbed by the Argentine economy.

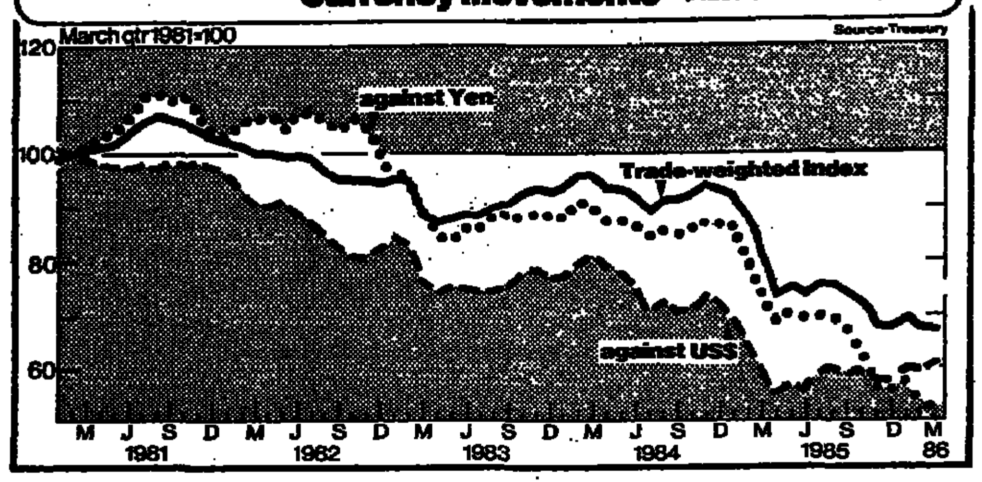
In recent times, the citizens have been warned by a leading industrialist that they risk becoming the poor white trash of Asia and by their increasingly anxious Labor Treasurer, Mr Paul Keating, that unless they understand just "what sort of an international hole Australia is in" the country will quickly become a banana republic.

These dire warnings appear to be received with a good deal of arm's length scepticism, however. Australia has, after all been in deep holes before in both the 1930s and 1960s and something has always turned up — hence the nickname "Lucky Country."

But the *something* has been an upturn in commodity prices or the discovery of new deposits of mineral wealth for which the world was clamouring.

The result has been that the Australian economy has relied ever increasingly on its commodities—natural resources and primary agricultural products—and has become something of a single sector economy. The world demand for all these products is shrinking and prices have tumbled, accelerated by the oil shocks. Although it is a major supplier of such products Australia has always been a price-taker *rather* than *setter* and has been unable to mitigate the effects of the price falls.

A lack of entrepreneurial and trading spirit in the country, industries heavily protected by tariffs and barriers, and a highly paid, rigidly unionised workforce have left the country in a weak position to make rapid structural adjustments to the change in its fortunes.



Mr Bob Hawke, the Prime Minister, and Mr Keating moved early in the life of the Government to open up the economy, particularly through financial deregulation, accepting that this would make it more difficult to attempt centrally planned control of the entire economy.

Instead they have moved on all fronts separately: a tightly restrictive monetary policy has been used to throttle off the growth which was threatening to overheat last year. Unions have been pulled into accords which have cut the growth in real wages in return for supply-side initiatives like tax cuts.

The Australian dollar has been floated and has depreciated *rapidly, particularly against* the US dollar and the Japanese yen.

The policies have so far not been enough and the new crisis hinges on a current account deficit which has continued to widen against all expectations.

But that is not to say that there have not been some notable achievements since 1983. The crucial accord between Government and unions choked off the rise in real wages in a country which was *increasingly* unable to afford the very high *living standards which* previous prosperity had delivered.

More than 600,000 new jobs have been created, which in a country with a population of just 16m and a workforce of only 5.5m is a remarkable achievement, though masked by the fact that the rapid rise in the size of the workforce has meant that unemployment has barely fallen.

The slow rise in wages was accompanied by rapid growth in output, a sustained revival of corporate profitability and falling inflation. So both fiscal 1983-84 and 1984-85 were two highly successful years of *macro-economic performance* and Australia seemed to be recovering from the trauma of the early 1980s recession better than many other industrialised countries.

However, trouble was quickly storing up. Australia had been sustaining much of its recovery through borrowing and the private sector, deterred by high domestic interest rates, borrowed heavily abroad. Net external debt soared from A$7.3bn in 1980 (6.3 per cent of GDP) to A$52bn (25 per cent of GDP) in 1985.

Consequently, the terms of trade continued to deteriorate and the country's current account deficit began to look unmanageable. Growth accelerated, through largely due to soaring consumer demand which was satisfied by great inhalations of imports. International confidence in Australia's ability to pull itself into non-inflationary growth evaporated.

The resulting sharp devaluation in the dollar should have been good *news for the* economy. Exporters would benefit, imports would slow, stability would reign (encouraging companies to invest) and foreign investment would pour in. The balance of payments would come under control, and external debt would fall back to less worrying levels. So the theory went.

Mr Keating warned that it was vital that the benefits of the currency depreciation were not lost by being passed straight through in money wages. The continuation of the pay accord stopped this happening; wages have risen by under 4 per cent in the last year while consumer prices have increased by more than 9 per cent, so much of the depreciation has usefully acted as a corrective to price relativities.

He also warned that it would be some time before the trade slide benefited from the devaluation effects because of the typical time lag involved. As a result Australia became probably the only nation in the world where the daily chat was about the J-curve, the economic representation of the upturn in trade and current account after a lagged slide following devaluation.

But it has not appeared. "Who will put the curve in the J?" asked the National Australia Bank. "Where is the J-curve? We can't wait for ever," said Simon Crean, leader of the trade unions.

While foreign investment did pick up, and interest rates up around the 18 per cent mark attracted foreign capital to the country, the vital investment in manufacturing industry and new sources of internal productive wealth did not materialise in enough strength. There are latterly, however, signs within the components of imports that business is starting to bring in the type of semi-finished manufacturers that are a precursor to new investment in a country not generally able to produce its own basic industrial foundations.

In a sense, Mr Keating is running out of time. He has to present a new budget in August; the unions are getting restless as their side of the pact fails to deliver either major investment or falling unemployment; income tax cuts and pension arrangements promised in return for the pay pact are imminent at a time when the economy is least able to absorb them and, worst of all, the trade situation continues to deteriorate.

The current account deficit rose from A$6.4bn in 1982-83 (3.9 per cent of GDP) to A$7.3bn in 1983-84 (4 per cent) and A$10.3bn in 1984-85 (4.9 per cent). In the current year, which ends at the end of June, the restrictive policies were supposed to contain the deficit at A$10.75bn which would have meant it declining as a proportion of GDP.

In May the Treasury came to the gloomy conclusion that the outturn would be a deficit of around A$13bn to A$13.5bn and so increase again as a proportion of GDP to nearly 6 per cent which is not sustainable.

Mr Keating's "banana republic" comment was prompted by the announcement of unexpectedly bad trade figures for April which took the total deficit to A$12bn for the first 10 months. So imports and payments on the massive external debt were still far outstripping exports.

"If we fail Australia's basically done for. We'll just end up being a third-rate economy," *he said.*

Unless government spending slowed, imports fell and manufacturing investment picked up the only way to deal with the payments deficit would be to close the economy down.

"You cut all the growth to zero, you stop all imports growing." But that also meant falling profits and unemployment rising from 8 per cent. "If we don't make it this time we never will make it," he said.

What he did not say was that a further help, both to exports *and in forcing internal living* standards down, would be yet another devaluation of the battered Australian dollar, a devaluation his banana republic comments promptly produced. The currency lost US 5 cents in 24 hours, its biggest tumble yet.

The trouble with further devaluation is that it can herald more inflation, encouraging stronger wage demands at a time when the pay *accord* is already looking shaky. These in turn wipe out the gains in competitiveness achieved during the years 1983 to 1985.

This would trigger more upward inflation, interest rates and bankruptcies on the well-trodden South African path.

In short, Australia is caught in a series of interlocking traps from which the only possible escape now seems to be faster non-inflationary growth spurred by new growth sectors and backed by tight fiscal policy, falling wages (and therefore living standards) and a more flexible and responsive labour market.

The tight fiscal policy is due to get tighter in the August Budget from which Mr Keating wants A$1.4bn of cuts in discretionary spending programmes to reduce the Government deficit to just under 2 per cent of GDP.

A new pay pact and more supply-side income tax concessions are all that is likely on the labour front, neither the unions nor the employers believing in the feasibility of a market free for all labour.

The most promising new sector and foreign currency earner is tourism. The cheap Australian dollar, spectacular beaches and scenery, cheaper and faster inter-continental flights all make it a potential tourist gold mine. The widespread cancellation of tours and conventions to Europe because of terrorism cannot be capitalised on instantly because there are neither the beds nor *the tourist infrastructure* to cope. But tourist investment is beginning and the cheaper currency is gradually starting to bring in larger numbers of Americans and Japanese.

There will undoubtedly be a tourist boom in 1988, Australia's bicentenary; but it is still far from certain, as Mr Hawke and Mr Keating are keenly aware, that the first visitors in that year will not be the International Monetary Fund arriving to sort out an emergency package if the lucky country's *luck finally gives out.*

The above article appears in today's Survey on Australia, but in an incomplete form because of production problems.

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co.	10
American Express Bk	10	Robert Fraser & Ptrs	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp	11	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co	10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11½	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● *Brown Shipley*	*10*	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11½
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

UK NEWS

Glaxo to sell products made by Japanese drugs company

BY TONY JACKSON

GLAXO, the UK drug company, is to market products from Takeda, Japan's biggest pharmaceutical company, in the UK and Ireland.

Takeda, a strongly research-based company, is to make a range of its new products available to Glaxo for the UK market. Glaxo said the drugs would be in the four areas of cardio-vascular, gastro-intestinal, anti-allergy and neurological drugs.

Glaxo is strongly represented in the first three areas already. Its heart drug Trandate is sold on the Japanese market in conjunction with Takeda, and Glaxo also markets the heart drug Acepril, from the US drug company Squibb, in the UK.

Glaxo has the remarkably successful ulcer drug Zantac in the gastro-intestinal sector. This is in contention as the biggest-selling drug in the world. It also has a number of drugs in the anti-allergy field, notably the anti-asthma drug Ventolin.

Takeda has products in each of those sectors and also has a new drug, code-named CV 2619, to treat senile dementia, an area in which Glaxo is not yet represented.

From Takeda's viewpoint the move underlines the recent strong expansion of the Japanese drug industry into overseas markets. This is based on a rapid improvement in research output. Although Japan is still a net importer of pharmaceuticals, Japanese companies have set up a large number of overseas marketing arrangements in recent years.

The agreement is the second of its type signed by Glaxo. A year ago it concluded a deal with the Japanese company Tanabe

Trade union chief faces loss of office

By David Thomas

MR JIM SLATER, general secretary of the National Union of Seamen (NUS) could be the first general secretary of a union to lose his position because of the 1984 Trade Union Act.

This is a possible consequence of a decision by the NUS conference in Liverpool yesterday to throw out a proposal to strip the general secretary of his vote on the union's executive.

Under the 1984 act, all voting members of a union's executive have to be elected by an individual membership ballot at least once every five years. Mr Slater was elected by an individual membership ballot in 1974.

NUS officials in Liverpool yesterday were interpreting this to mean that there would have to be an immediate ballot of the membership to choose a general secretary, though the union's executive will meet on Saturday to decide exactly on what course of action to take.

However, if the union does decide to call an immediate ballot, Mr Slater would be debarred from standing, because under the union's rules no one over the age of 60 is allowed to stand for the post of general secretary. Mr Slater is 62.

During the passage of the 1984 Act, an amendment was inserted excluding full-time officials over 60 from the election provisions of the act on the ground that they would find it difficult to get alternative employment. However, that exclusion applied to officials only if they have been elected within the five previous years.

Television criticised for industrial coverage

BY HAZEL DUFFY

TELEVISION journalists and much of British industry were condemned yesterday for the way that they handle the presentation of industrial topics.

Mr John Davidson, director of the Confederation of British Industry Scotland, told a meeting of media representatives and industrialists in Belfast that at times British broadcasters used television in a manner "similar to a Gadaffi-type system." He claimed that influence of the viewers, distortion of information and sometimes manipulation of the outcome of the issues were typical.

He accused many television journalists of being poorly equipped to undertake effective coverage of industrial issues and many reporters of being inadequately prepared and lacking up-to-date briefings on the major issues they were required to convey.

As an example, he said, "Many broadcasters presume that companies can take on labour or avoid redundancies without thought to the cost involved and the ultimate threat to the jobs of every other employee."

The misunderstanding about industry's role in reducing unemployment was most noticeable in television's approach to new technology, Mr Davidson said. "The 'gee-whizz' response is matched by the jobs-loss syndrome, neither of which is of much help in assisting the public to understand the significance of a new product or a more advanced process."

The fault, however, lay even more with industrialists than with broadcasters. "Far too many firms still see themselves as part of a close-knit Victorian community where the need for explanation and elucidation of industrial issues is unnecessary."

Contract awarded for fuel plant

BY LYNTON McLAIN

THE NATIONAL Coal Board (NCB) has awarded a contract for its first plant to liquefy coal into petrol, jet fuel and diesel fuel to Simon Carves, the process engineers based at Cheadle Hulme, Cheshire.

The £10m coal liquefaction plant is to be built on land next to Ayr Colliery, near Holywell, North Wales, as part of an experimental liquefaction programme that will eventually cost the NCB £35m.

Fairclough Civil Engineering started building work on the site in January. The liquid solvent extraction process for liquefying the coal was developed by the NCB at its research laboratories in Gloucestershire. The Ayr Colliery pilot plant is to be designed to process 2.5 tonnes of coal a day into a range of liquid hydrocarbon fuels.

By the end of the century more than 10m tonnes of coal a year could be used in the UK for the production of transport fuels, if the liquefaction process is successful.

Computer system at exchange defended

By Clive Wolman

SIR NICHOLAS GOODISON, chairman of the London Stock Exchange, has attacked critics of the *exchange's computer systems* who have been forecasting disaster when the market is restructured in October.

In the 12 months to the end of May, he said, Topic – the exchange's information dissemination system – had been out of action for an average of only 35 minutes a month, which showed it was 99.85 per cent reliable. In the previous year, the average time out of action had been 44 minutes a month.

These figures put some of the recent lurid comments on Topic in perspective, said Sir Nicholas. "Public comments which have cast doubt on our reliability have been misleading and unfounded."

He added: "I am confident that, despite the problems we are experiencing at the moment, which are understandable in a period of such radical change to our technical systems, we can cope with the demands of the new market after October."

He admitted that more effort would have to be devoted to improving the data capture system introduced in March, which is relied upon by dealers in the traded options market. A system failure led to the loss of an entire day's trading in March.

Sir Nicholas said the deficiencies had been remedied and the system's capacity was being expanded to handle a volume of 100,000 option contracts a day by October.

In recent months the daily average has been 20,000 contracts. A new options clearing system is being planned which will increase capacity to 200,000 contracts by the end of 1987.

The exchange's annual report for the year to March 24 1986 shows an upsurge in capital expenditure on new buildings, computers and other equipment and on development projects, from £10.6m in 1984-85 to £33m in 1985-86.

The extra expenditure is being financed partly by an issue of loan stock in March and partly by a turnround in the exchange's profitability. A deficit of £356m before interest and tax in the year to March 1985 was transformed into surplus of £9.7m.

THE ARTS

London galleries/William Packer

Portraits that capture the prizes


Golden Wedding, Ivy Smith's prize-winner in the Portrait Award 1986 Exhibition

The contemporary portrait of *one kind or another is celebrated*, if celebrated is quite the word, in several exhibitions current in London, to say nothing of the sprinkling of such things that is always to be found at the Royal Academy through the summer. The most interesting of these shows, however, is not ostensibly of portraits as such, but simply of paintings that take the study of the human head or figure as *their subject*.

In his work, Stephen Finer (at the Anthony Reynolds Gallery, 37 Cowper Street, EC2—just by Old Street Station; until June 29) deals not with bare formal description, nor with the fixing of particular *identity, nor the suggestion* of character, but with something certainly more general and perhaps more psychologically profound. In confronting these images, we may not recognise the sitter nor even at times pick out the eyes or nose or mouth, but yet for all that, the palpable *sense of physical human presence* could hardly be stronger. Odder and more contradictory still, that presence grows ever more particular under consideration.

The paintings are not large but they are dense and heavy with matter, their surfaces worked and reworked, layer upon layer, into a thick impasto. Each successive skin of paint, laid on with vigorous simplicity *and directness, does not* so much cancel and obscure as suggestively suppress what lies beneath, the whole kept active in the imagination if not the eye. The work is emphatically more tonal than chromatic, much of it in actual monochrome, dark and brooding, by which it achieves a sombre, impressive beauty.

Finer is a true expressionist in his painting, standing in that *English tradition that goes back* through Frank Auerbach and Leon Kossoff to David Bomberg, and within it, for all the narrow scope he sets himself, he is as distinguished as any painter of his generation. But his expressionism also casts wider resonances, for there is to it more *than a hint of surrealism* and further European connotations.

The influence of Francis Bacon is clear enough, and something too of Dubuffet, but in the quiet concentration of the work and its intensive scrutiny, and almost obsessive endless reworking of the face and head, it is perhaps *Giacometti* who comes most to mind, and more in his character as sculptor than painter.

There is nothing remotely like Finer's work to be found at the Mall Galleries, where the annual exhibition of the Royal Society of Portrait Painters continues until the weekend, June 8. It is a problematical show for though it includes a fair number of good and even *excellent things, overall it is* the kind of thing which gives modern *soi disant* portraiture such a bad name. And yet it seems popular enough for the commissions pour in and Society flocks along to the private view to see itself in its own image.

To be fair to the society and its president, *David Poole*, who is actively seeking to restore something of its credibility, any society can only be as good as *its members, and positive* recruitment is the only answer. Clearly ambition failed in the past, with the philistine values of the suburban lounge replacing any vital connection with Art at large as a living tradition. But with active members of that other revitalised Academy, *such as John Ward, Ken Howard* and William Bowyer, still prepared to show and members such as Daphne Todd, Trevor Willoughby and Poole himself to form a nucleus, much may be achieved in a very short time.

In particular the example and success of the John Player Portrait Award, now so well established a fixture at the National Portrait Gallery, *should not be lost on the Royal* Society. In a few short years it has achieved an extraordinary revival of interest in the portrait as worth the serious engagement of the ambitious young artist. Indeed the society should already be in the habit of canvassing every young artist in the show, and surely there can be no *reason* why a special invitation should not be extended regularly to the happy winners to show the following *year*.

The Portrait Award Exhibition, was opened yesterday by the Minister for the Arts, and is on view until August 31. As I am again one of the judges, I shall not review the exhibition but I do feel free to commend it to you. Miss Ivy Smith, winner of the major award and the commission that goes with it, worth altogether £10,000, *deserves especial notice* for she has been a regular participant in the past and come close to winning. Her huge multiple portrait which now carries off the prize is a true *tour de force*, as astonishing for its ambition and sheer nerve as for its evident accomplishment. Do go and *see it*, and the excellent field it beat.

Finally, still at the National Portrait Gallery (until August 25), *Twenty For Today* is a small, well chosen and lively anthology of current portrait work by 20 young photo*graphers. The portrait is some*times incidental to the intention, for much of this work was commissioned by fashion or music magazines, but the images are nonetheless forceful or particular for that. Its range extends from the orthodox to the frankly experimental, the *photographers it includes from* the comparatively well established, such as John Swannell, to some barely out of college, such as Liam Woon and Alistair Thain. And if the choice in the event seems a shade arbitrary and undirected, the justification is in the work for itself, artist by artist, and the mischievous thought that there are 20 more off stage, just as various and just as good.

Jug/Theatre Royal, Stratford East

Michael Coveney

Jug by Henry Livings at the Theatre Royal, Stratford East, is a Lancastrian version of Kleist's *The Broken Jug*, performed in *1975 at the Nottingham Play*house and here receiving only its second production. In its mixture of small-town wheedling court proceedings *and community* rank-closing, this is prime Livings territory.

Unluckily for the author, Philip Hedley's production is an indulgent, rambling affair that outstays its initial welcome, mistaking boisterousness for pace. Goethe *ruined* the Weimar production in 1807 by having two intervals. Mr Hedley goes a little better, but not much, by *having one*.

The play is a short, brisk and pungent one-acter supervised by acorrupt judge in a village court *where a broken antique jug is* evidence of jiggery-pokery in a widow's daughter's bedroom after lights out. The daughter is engaged to an upstanding young lad shortly off to the wars. The business is overseen by a visiting dignitary, and the various townsfolk defer and *kowtow to him while the judge*, worrying at the evidence, is almost revealed for the hypocrite he is.

Livings transfers the action to a small Lancashire wool town but retains the period of early 19th century: George III on the throne, foreign wars, frock coats and weaving smocks, northern industrial pride. His judge is a JP, Adam Kenworthy, whom Don Crann plays as a stubble-bearded, fawning mixture of Brecht's Azdak and Gogol's Mayor. Mr Crann delighted me for five minutes by destroying the fourth wall, taking a prompt *from* the corner via the clerk and producing the stage manager to take a bow. But to sustain that kind of ingratiating relationship through a major *performance* you have to be Ken Dodd or at least Rikki Fulton.

The show continuously muddles an idea of Stratford East-style freewheeling with the humorous warmth of Livings's rheum. The first entrance, *again, of Guy Nicholls's fragile* landlord, walking tipsily on eggshells with the first round of the morning session, is a delight.

Smiles freeze on the lips as John Halstead's decrepit constable roars for silence in court for the tenth time, although my jaw was already setting from the minute Mr Halstead, as part of a fairground warm-up, approached me in the foyer and invited me to feel his oranges. I much preferred the landlord's wife's *confession on stage that she had* felt Kenworthy's snuff box in his breeches. Smut is much smuttier at a safe distance.

Tension and interest is draining away rapidly by the time the young girl Eva (Angela Connolly is truthful and touch*ing) arrives at her plea for* withholding evidence as she has to live in the town for the rest of her life. And the matter is smoothed over with a convenient tale of local superstition and dark Satanic chills. The young weaver is stoutly played by David Morrisey, the widow given an unforgiving cutting edge by the admirable Kate Williams, the bold and simple inn designed, with one freestanding door centre stage, by Ultz.


Alastair Muir

Don Crann, John Halstead and Kate Williams

Arrau/Festival Hall

Andrew Clements

A programme of Beethoven sonatas that includes both the Appassionata and the Waldstein suggests that at the age of 82 Claudio Arrau is not yet willing to make concessions to mere *technical difficulty*. Nevertheless his choice of works did encourage an even more magisterial thoughtfulness than usual, without the overt virtuoso showpieces that he has regularly played in recent years.

That carefully considered manner extended even to the third sonata from Op 10, with which he began on Tuesday night. The joyous semiquavers that propel the first movement could not be allowed to run unfettered; there was always a purpose behind them, a reason for their energetic elaboration, so that the unashamedly profound treatment of the slow movement did not arrive as a total surprise, merely the obvious centre of gravity of the sonata, to be explored with measured and loving detail.

Only in Op 81a, Les Adieux, did the pondering threaten to *interrupt the instinctive flow of* the music, and there only in the central movement; the finale recovered with deliciously turned right-hand filigree. Previously the tour around the Appassionata had been fascinating, less for its physicality and bravura thrills *than for the illumination it* threw upon detail in the outer movements, and for its ability to hold each element in a vice-like architectural grip at relatively moderate speeds.

All three sonatas had been spotted with minor misfingerings, at no detriment at all to the quality of the music making. In the Waldstein, however, the standard rose higher still and Arrau's technique seemed to *lose 30 years. It was an extra*ordinary performance, immaculately shaded and paced, the weight of each subject group in the first movement deftly applied, the Introduzione a sequence of slowly lifting veils to usher in a rondo whose ravishing suspensions and *tingling coda seemed set in* perfect balance. A good week for pianistic octogenarians.

Pacific perceptions of tomorrow's music

As well as providing the venue for a remarkable collision and cross-fertilisation of Pacific cultures, San Diego's Pacific Ring Festival also served to bring together the music of three composers, Harry Partch, Conlon Nancarrow and the Australian *Percy Grainger, whose chief* preoccupation was or has been, to devise new methods of notating, and in particular new ways of performing, the sounds which they perceived to be the music of the future.

Harry Partch was born in California in 1901, and died there in 1976, having devoted his life to "reforming" the western Classical-Romantic tradition, and in particular *rejecting the equal-tempered system* of tuning, which he replaced by just intonation and his own system of microtonal intervals. His theories—which drew more from Ancient Greece and extra-European musics than anything in post-Renaissance western music—demanded new instru*ments, which he designed* and built himself, and which he trained his own ensemble (the Gate 5 Ensemble) to play. The instruments, now restored after several years of neglect following his death, are housed in San Diego State University. (The rationale of Partch's system, *together with an elaborate* critique of western musical culture, is set out in his fascinating book *Genesis of Music*, published in 1949.)

As the finale to a concert *which also presented two* gamelan orchestras — one a Californian gamelan group from San Francisco, a fine virtuoso ensemble based on the Balinese model, and another of native musicians from Java, darker-toned, less flighty in their tempo changes — the Partch Ensemble from San Diego State, under the direction of one of the composer's one-time associates Danlee Mitchell, offered the *rare opportunity to hear a* major work by Partch played on the composer's original instruments.

Most of Partch's compositions were designed for the theatre, and the scores usually contain instruction which involve the instruments and their *performers intimately in the stage* setting — the theatrical effect arises directly from the performance of the music. *Daphne of the Dunes* (1958) was originally the soundtrack for a short film entitled *Windsong*, illustrating the myth of Daphne and Apollo. The instruments prescribed (Partch's names for them are wonderfully evocative) included cloud chamber bowls (made from huge glass jars), gourd tree, diamond marimba, cone gongs (made from the heads of naval gun shells), surrogate kithera, spoils of war (made from shell ignition caps), and the chromelodeon. The music is simple, unpretentious and haunting: a collage of melodic fragments and microtonal textures, spliced *into short film-like cuts. This* performance also used two dancers, who wove a simple pattern among the players on stage: naive but curiously touching, and I am sure wholly and aptly authentic.

Partch built new instruments for his music, but the human element in performance for him remained paramount. Conlon Nancarrow quickly found that no human performer could ever *realise with satisfactory* accuracy the music he composed, and therefore turned to mechanical means for its reproduction. He is an enigmatic figure in American music, quintessentially Californian in spirit, if not in origins—Nancarrow was born in *Arkansas in 1912, but since the* early 1940s has lived in self-imposed exile in Mexico, rarely travelling or receiving visitors, devoting himself single-mindedly to the composition of one monumental oeuvre, a collection of original Studies (so far numbering 48) for *mechanical player-piano*.

Four years ago Nancarrow travelled to Europe for the first time since before World War II, and I heard some of his latest pieces at the ISCM World Music Days in Graz. The performances then, like those at San Diego, were necessarily *on tape (since the instruments* remain in Mexico), but it is probably the medium which suits them best: huge, complex sound-canvases of shimmering, shifting colour, mighty con*structions beyond all con*ceivable human virtuosity (Nancarrow cuts his piano rolls on a special machine of his own devising), delicate spider-web creations glittering with tiny points of light.

The effect is neither dry nor mechanical: there is real poetry *in the Studies, and real* exhilaration—a vision of man and machine together, reconciled in some utopian, and paradoxical, post-mechanical age. As well as three of his latest piano-player pieces (nos. 48a, 48b and 48c), a new work by Nancarrow for a small orchestra *of live performers* was also played—which was interesting but, though it had some of the same infectious nervous velocity, less satisfying. Nancarrow's music is *about* impossible, stratospheric feats performed on a familiar human-scale instrument: to hear human players struggling with the music, bravely but always imperfectly, brings it down to earth with a bump.

The meeting of Nancarrow (in person) and the late Percy Grainger (in spirit) took place as it were by accident during the festival at San Diego's Center for Music Experiment. Two quite distinct research projects at CME had been involved in realising on the one hand a Nancarrow player-piano Study by computer-synthesis, thereby achieving (at least theoretically) the "perfect" performance; and on the other, by similar electronic *means, one of the "Free Music"* scores which Percy Grainger left completed, but unperformed, at his death in 1961.

Grainger never found the machine that satisfied all of his requirements—although he started to build one, using vacuum-tube oscillators regu*lated by cut-out paper rolls (a* system refined just before he died by the addition of photo-electric cells and transistors). Nancarrow found an adequate means of performing the music he heard in his head on the player-piano—but the process is immensely laborious and still subject to the constraints and vexations of mechanical operation.

Here at CME was at last the *ideal equipment, the perfectly* flexible *instrument* which both of these dedicated visionaries had foreseen, and striven for, many decades in advance of its time. Nancarrow was stunned by the computer performance of his Study No 37, which sounded, he said, better than any realisation of his music he had ever heard. And as for Grainger, we were left merely to muse upon what extraordinary sound-canvases he might have created had he ever got his hands, at San Diego's CARL facility, on a VAX 11/780 and a couple of analog-to-digital converters.

● Previous articles on the Pacific Ring Festival appeared on May 24 and 28.

Dominic Gill

Uchida's Mozart/Elizabeth Hall

David Murray

Not all good things end well, and Mitsuko Uchida's survey of Mozart's piano concertos with the English Chamber Orchestra has been so full of rewards, delights and teeming imagination that Tuesday night's final instalment was plainly chancy. For she had chosen to conclude, neatly enough, with the first and last of the concerto—the innocently cheerful K.175 *(called "No. 5" nowadays, but* its predecessors were mere adaptations of music by other hands) and the elusive, somehow drained K.595, which is nobody's idea of a triumphal summing-up: besides, she has been heard here already in a sensitive, subdued account of *that work with a big orchestra* and big conductor.

The K. 175 Concerto in D made a captivating frolic, with the whole ensemble—Uchida elected to play just *prima inter pares*—joining in the fun with relish. They still delivered the pretty sentiments of the slow movement with poise; and where in the finale young Mozart's ingenuity flagged a little, Uchida enlivened his routine sequences with comic *bounce. Following that with* Beethoven's pedantically sober pair of Romances for violin (José-Luis Garcia was the dignified soloist) seemed an extension of the joke.

The B-flat Concerto, K.595, cannot be triumphant; but it was marvellous. Nothing in the rest of the cycle had prepared us for it, since nothing *can* prepare one for this strange, fragile piece; but wth the rap*port that Uchida and the ECO* have grown into, it made an unanswerable case for the single conductor-pianist. From time to time someone has observed that Uchida's forthcoming performances on Philips records, with Jeffrey Tate conducting, should make this or that point more *incisively than* in these concerts. Unlike most later concertos, however, Mozart's are not adversary-pieces, and least of all K.595: here, the virtues of a purely single-minded reading were radiant.

How to render the frail, shadowy quality of this music without underplaying must be an unteachable secret; perhaps one just has to play it superla*tively well*. Uchida kept it full of lyrical life, and yet not quite vital—already grey-hued, half-departed. Nothing overtly elegiac but one *memorably* affecting wilt, shortly before the first-movement cadenza, where with a lonely bassoon Uchida let the music suddenly falter:

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 30-June 5

Exhibitions

WEST GERMANY

Berlin, Akademie der Künste, *Hanseatenweg* 10: Life Or Theatre? This exhibition displays 250 gouaches by Charlotte Salomon. She died, aged 26, in Auschwitz. Ends June 15.

Bayreuth, Iwalewa-Haus, Münzgasse 9: Art and *Culture from the Congo* and Zaire. About 300 paintings, cult and practical objects from the Colonial period to today. Ends June 29.

Hamburg, Kunsthalle, Glockengießerwall 1: Renaissance of the North. 110 German and Dutch paintings on loan from the Paris École des Beaux-Arts. Among the artists are von Bouts, Dürer and Goltzius. Ends June 29.

Düsseldorf Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Pas*sion; 60 huge charcoal drawings* by the German expressionist covering 1933-34. Ends Oct.

BRUSSELS

Musée Royale d'Art et Histoire: Taiwan-based painter Wong Liu-Sang. 40 paintings, of which 10 are by his pupil Chen Sian-Nan form this painter's first European exhibition. The artist will demonstrate traditional Chinese painting on June 18. Ends June 29.

PARIS

From Rembrandt to Vermeer: 60 chefs d'œuvres on loan from the Mauritshuis trace a panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lives and landscapes. Grand *Palais. Ends June 30.* (4261 5410).

French Masters of the 19th and 20th century: The catalogue of the yearly Robert Schmit exhibition reads like a Who's Who in painting. There are five Boudins, the gallery's speciality. Caillebotte, Cézanne, Van Dongen, *Fantin-Latour, Odilon Redon* and even Soutine grace the walls with bouquets of flowers while Chagall has a flowering tree in his red-toned sunset. Degas has a study of two dancers and a fiery coloured oil of a nude combing her hair. There is a large composition by Derain from the late 1930s, the Painter And His Family grouping in a surprisingly realistic rendering – his wife with a book, his niece, his sister-in-law, family cat and himsel in the centre before an easel with a brush in his hand.

The strong point of the exhibition is a Picasso painted in 1900, a scene of typical Spanish figures in ex*pressive attitudes and striking co*lours in front of a wine shop. As a counterpoint there is a stylised Woman in a Rocking Chair dated 1956 with the same strong orange, black and blue summing up Picasso's artistic development. Galerie Schmit, 396 rue Saint Honoré (4260 3636), closed Sun and lunchtime. Ends July 19.

LONDON

The Hayward Gallery: Falls The Shadow – this year's Hayward Annual for the first time extends its view of contemporary art from Britain into Europe. The Arts Council's guest selectors, Barry Barker and Jon Thompson, taking a hint from T.S. Eliot's ambiguous poem of the mid 1920s, *The Hollow Men*, abandon the principles of avant-gardism in favour of a more open and catholic modernism. The result is an elegant, difficult and fascinating anthology. Ends June 15.

ITALY

Rome: Galleria Giulia (Via Giulia 148). Marilu Eustachio: Fifty large works in pastel exploring the theme of love, from the lyrical to the faintly menacing. Particularly interesting are a series of charcoal drawings illustrating extracts from the poems of Emily Dickinson, ends June 14.

Rome, Castel Sant'angelo: Photographs and documentary material relating to the excavation of a house near the Roman forum, which has led not only to the discovery of part of the perimeter walls of the Foro Della Pace, but models of works by Bernini by an artist, known as Il Cavalier Fontana, who occupied the house during the 17th century. Ends June 10.

Rome, Galleria Carlo Virgilio, (Via della Lupa 10): Scipione Vannutelli *(1834–94): Vannutelli's account of his* travels in Rome, London, Paris and Venice, through small and exquisite oils and watercolours. Scenes vary from the lush *greens of* the London parks to St Mark's Square in Venice, seen through the wind-blown curtains of the Caffe Florian. Ends June 10.

NETHERLANDS

Amsterdam: Van Gogh Museum. 90 Whistler etchings from the Zelman collection follow the career of the brilliant eccentric from his Paris period, through the penetrating obser*vation of London's dockland*, the tranquility of the Venetian set, and closing with the late, dreamlike impressions of Amsterdam. Ends June 8.

Dordrecht Museum. A choice selection of 60 Piranesi etchings from the imposing Vedute di Roma and the oppressive visions of the Carceri. Ends June 8.

Amsterdam Historical Museum. Cor Jaring's photographs of Amsterdam in the restless 1960s, from Provos to dockworkers, happenings to street markets, and an eventful royal wedding. Ends June 22.

17th-century drawings in Teylers Museum, *Haarlem. Little-known sheets* by the leading masters. Ends June 14.

SPAIN

Madrid: Contrasts of Forms. Abstract and geometrical art sponsored and recently exhibited at Moma, New York. 150 works by 20th century artists set out chronologically, offers a coherent display to 1980 with Braque, Leger, Picasso, Mondrian. Biblioteca Nacional, Paseo de Recoletos 22. (435 40 03). Ends June 30.

Madrid, Claude Monet (1840-1926): The greatest living French artist, as he was called, was an innovator who revolutionised the course of modern painting by playing a leading part in the creation of a new artistic movement: impressionism. 125 paintings on loan from private collectors and museums from all over the world will offer a good overview of his different artistic periods with a prominent *representation* of his most famous period at his home at Giverny. Meac – Museo Espanol de Arte Contemporaneo, Avenida Juan de Herrera 2. (449 71 50). April 29 – end June.

Barcelona. Max Ernst retrospective includes 125 works of the dadaist and surrealist painter. Fundacion Joan Miro, Parc Montjuic. Ends June 29.

VIENNA

Jewellery from 1900-25: A selection from the Museum of Applied Arts' extensive Art Nouveau jewellery collection not usually on display. The museum began its collection in 1900. Ornamental combs by René Lalique, enamel and ivory pieces by Gaillard, and beautiful jewellery using glass and semi-precious stones by the Belgians Van de Velde and Philipp Wolfers. There are also pendants, lockets, brooches, necklaces, belt buckles and rings from the masters of the Wiener Werkstatte – Hoffman, Moser and Czeschka – many on public view for *the first time. Applied Arts Mu*seum, ends June 8.

NEW YORK

Japan House: Burghley House, with its the earliest known record of Japanese porcelains in Europe, provides a touring exhibit that will visit the High Museum in Atlanta and then Japan through 1988 with 205 Japanese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Museum of the City of New York: Arbit Blatas's paintings, drawings and sculptures of Three Penny Opera covering 12 scenes and 11 characters, were inspired by the historic Theatre de Lys production in 1954 starring Lotte Lenya. Ends Oct 15.

Metropolitan Museum: Two centuries of Renaissance masterpieces from Nuremberg include 270 works in *painting, sculpture, tapestries and* illuminated manuscripts by Albrecht Dürer, Hans Baldung Grien, Veit Stoss and Adam Kraft. Ends June 22.

WASHINGTON

Hirshhorn Museum: 75 works of the California sculptor Robert Arneson *presents the glazed ceramics he pio*neered in what became the Funk movement in the 1960s with its irreverent view of other artists, contemporary artefacts and art itself. *Ends July 6.*

National Gallery: Paintings by Picasso, van Gogh, Gauguin, Matisse and Renoir are among 41 Impressionist, post-Impressionist and early modern paintings from the Hermitage and Pushkin Museums in Leningrad and Moscow making their first American trip. Ends June 15.

TOKYO

Scenes of Spring: 10 works on hanging scrolls by Japanese artists Kano Tanyu, Shunso Hishida, Gyoshu Hayami and others. Okura Museum, at Okura Hotel. Ends June 15. Closed Mon.

The Art of Henry Moore, 1921 to 1984: In one of the largest retrospective exhibitions ever, over 300 works (sculptures, drawings and graphics) demonstrate the artist's range and extensive output. Several sculptures have been installed in the open. Excellent catalogue with generous *space for the original English. Ueno* Park is one of Tokyo's few open spaces, and museum hopping may be pleasantly divided by lunch at one of the park restaurants or in the open. Ends June 5.

Saleroom/Susan Moore

Records all round

Record prices were reached at Sotheby's marine sale on Tuesday. *A Clipper by Moonlight* sailed in at £57,200 against an estimate of £20-30,000, the top price ever paid for a Montague Dawson (1894-1973), and Norman Wilkinson's beach scene of Douglas Harbour realised over twice the estimate, £16,280, another first.

The Dawsons were generally *well received; £40,700 was paid for News of Trafalgar — the Schooner "Pickle"*. The marine paintings totalled £631,741, with 18.9 per cent unsold. In the afternoon sale, which totalled £176,742, a model of *The Queen Mary* sold for £5,500, almost exactly fifty years after the liner's maiden transatlantic voyage. An 18th century Admiralty model of a frigate made £37,400, a record price for *a ship model*.

At Phillips a rare gold minute repeating Grand Sonnerie clock watch made by A. Lange & *Söhne around 1910 and hitherto* kept in a sock drawer, made a substantial £42,000 — the unpublished estimate was £20,000. Less fortunate was a George III gold, enamel and gemset watch and chatelaine, signed *Thos Gray, Sackville Street*. It was *one of the 30 per cent of clocks* and watches unsold.

A conventional range of European and Oriental porcelain *from the Edward James collec*tion was sold by Christie's at West Dean for £392,278 (without premium), the Japanese contingent of far greater quality than average country house collections. A handsome green and yellow *Jaiqing bottle* vase made £14,000, as did a particularly fine famille rose coral-ground vase estimated at £2-300.

The highlight of yesterday's session was a Sèvres bulb pot of about 1775 decorated with two Orientals on a see-saw which sold for £19,000. Two Derby groups of a shepherd and shepherdess (modelled by J. J. Spängler), dated around 1830, made £1,900.

More in keeping with James's professed passion for animals was the group of fully articulated iron models of birds, insects, crustacea, fish and dragons from 19th century Japan (a three-clawed dragon made £1,700).

Sotheby's at Chester presented an even less appealing array of 19th century medical and dental instruments, including amputation saws and a brass enema. Its 46 early amusement machines were more entertaining and included an Art *Deco Jennings "Little Duke,"* resembling a crushed fender, bought by a Swiss dealer for £825, and a Mills "*Cowboy*" fruit machine which made £1,760. Auction records were once again set by a large German Steiff Teddy Bear of around 1904. *Sold for £5,280*, it broke the previous Teddy record of £3,740 made last November.

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Thursday June 5 1986

The purpose of sanctions

BRITAIN HAS reached a watershed in its policies towards South Africa. The tortuous progress of President P. W. Botha's reform programme, the ambivalent and ambiguous nature of Pretoria's commitment to an equitable society, and the increasing call from black South Africans for international action against apartheid all require that Britain send a clear message to South Africa. This week the seven member Commonwealth Eminent Persons' Group is meeting in London to prepare a report on its efforts to initiate a dialogue between black and white in the republic. Its assessment of Mr Botha's intentions, due to be discussed by a mini summit of Commonwealth leaders in August, will be crucial to Britain's next step.

If the group is satisfied that the South African Government is prepared to move further and faster with reform and begin constitutional talks with black leaders including Mr Nelson Mandela of the African National Congress (ANC), a complex negotiating process will get under way in which the Eminent Persons may play a major role. If, as seems more likely, the group reports failure in its efforts, Britain should give notice that, in consultation with the Commonwealth, Europe and the US, it intends to introduce fresh economic measures against South Africa.

Opponents of sanctions offer four main reasons for their stand. They maintain that further economic measures (arms and oil embargoes are the principal sanctions already in effect) do not have the support of blacks, whose jobs will be placed in jeopardy; will drive whites into an intransigent laager, could leave the vulnerable economies of black states in the region open to South African retaliation; and what is more, they do not work.

Destabilising actions

Events over the past two years have undermined this case. Judging black opinion on sanctions is not easy. South African law makes it a serious offence to advocate trade embargoes or disinvestment. But more and more blacks, led by Bishop Desmond Tutu, are prepared to flout the law. Chief Gatsha Buthelezi is the only black leader of substance who argues against sanctions. As far as can be judged, the majority of blacks appears to support sanctions in the belief that they will hasten the end of apartheid.

The response of the white community is more difficult to assess. Proponents of the laager theory may point to the surge of far right activity in recent weeks. Ministers have tried to turn this development to their advantage, telling the outside world that the split in Afrikanerdom is a measure of the far reaching nature of Mr Botha's reforms and the political risks he faces.

This backlash, however, is part of the steady disintegration of white rule now under way, unprompted by sanctions. What Mr Botha has failed to do is win over moderate whites (and blacks) by pursuing reform more vigorously, and thus compensating for the emergence of the ultra-conservatives.

The message from the black front line states is unequivocal. South Africa's raids last month on alleged targets of the African National Congress in three neighbouring countries brought renewed calls for economic sanctions. Such is their dependence on South African trade and transport that the states themselves cannot impose an embargo.

But the suggestion that they face South African retaliation overlooks the fact that they have already suffered considerable direct and indirect damage from South African destabilising actions, particularly in Mozambique and Angola. The argument of Pretoria's neighbours is simple. They already pay the price of apartheid: they are prepared to shoulder their share of responsibility for its overthrow.

Good offices

What, finally, of the assertion that sanctions do not work? The oil embargo has proved ineffectual, though South Africa is paying a high price for its circumvention. By contrast the decision last year by US banks to refuse to roll-over short term loans to the republic exacerbated an economic crisis which Pretoria should realise will end only when the banks are satisfied that fundamental reform is under way.

The success of sanctions depends in part on what is expected. The measures that Commonwealth leaders meeting in Nassau last October drew up for consideration should their peace effort fail are not designed to bring about the economic collapse of South Africa. They are intended forcefully to signal their growing impatience with the slow pace of reform.

Whatever selective additional sanctions are advocated they will have far greater impact if they win endorsement beyond the Commonwealth. In the event of failure of the Commonwealth initiative, Britain should seek agreement on a joint stand by the EEC, which wins backing from the United States, Japan and South Africa's other western trading partners.

Such action will be the proper conclusion to what should be seen as the first stage of the Commonwealth effort. But the Eminent Persons should remain in the wings. Pretoria may need their good offices sooner than Mr Botha realises.

Britain and the EEC presidency

THE ADDITIONAL power and influence conferred on a member of the European Community by its six-monthly tenure of the presidency of the Council of Ministers has usually been rather limited: in one (rather constructive) sense the specific opportunities for triumph or disaster have been smoothed out, in the recent practice whereby the programming of work is co-ordinated with the preceding and the succeeding presidents. Nevertheless, the second half of this year, when the presidency passes from the Netherlands to the UK, will be a peculiarly important phase in the Community's history and will require corresponding skill from the British Government.

Much of the agenda has already been plotted by history. The long and lamentable legacy of the excesses of the Common Agricultural Policy remains on the table: the council has taken some fairly brave decisions on milk and cereals but pressure of budgetary constraints must be mobilised to ensure that the momentum of reform does not slacken.

At the same time, the Community needs to press ahead more rapidly towards the objective of a fully liberalised internal market by 1992. Some progress is being made; there may be opportunities for more progress, on the liberalisation of capital movements, for example, on the extension of the use of the ECU and on the liberalisation of non-life insurance when the European Court pronounces in the second half of the year.

These domestic issues of farm reform and market liberalisation are the natural staple of intra-EEC bargaining and their successful resolution is essential if Europe is to recover its economic dynamism. But it seems likely that they will be overshadowed in the second half of the year by more pressing foreign policy challenges, both in European-US relations and in East-West relations, in which Britain's foreign policy posture may well be pivotal.

On July 1, the day the UK takes over the presidency, there is a real danger that the US may institute protectionist measures against the Community, ostensibly in compensation for the accession of Spain and Portugal to the EEC and anticipated losses in US farm exports. There is no question but that the Community must stand up to any protectionist action by the US. But since the general protectionist mood in the US is already so strong, the Community would need all its skill in managing what might start as a minor conflict, to ensure that it did not escalate out of control. How that is to be done remains unclear; one element would be a constructive and liberal approach to the proposed new round of trade negotiations in GATT.

Political conflict

More serious still is the danger of political conflict with Washington over its handling of arms control and relations with the Soviet Union. In public Mrs Thatcher had implied support for President Reagan in his denunciation of Soviet violation of the Salt 2 nuclear weapons treaty; in reality, the British Government is as concerned as its European partners at the prospect that the fragile bases of arms control may be thrown away. While arms control is not strictly in the Community's competence, the co-ordination of foreign policy has been given a new security dimension under the Luxembourg agreement. Britain's role as a nuclear power, its presidency of the Council and Mrs Thatcher's special relationship with President Reagan will place extra responsibility on the UK to ensure that a disagreement does not develop into a transatlantic crisis.

BRITAIN'S NATIONAL HEALTH SERVICE

A hole at the heart

By Robin Pauley

Norman Fowler (left): an embarrassing position. Victor Paige: a hasty exit

IT HAS been quite a week for Mr Victor Paige. On Tuesday he was the head of Britain's National Health Service. Yesterday he was unemployed. Today is his birthday—his sixty-first.

It has been quite a week, too, for Mr Norman Fowler, the Social Services Secretary. On Monday, Parliament returned as he planned to mobilise support for more cash for the health service in the coming public expenditure battle. On Tuesday, his strategy for reforming NHS management was dealt a severe blow when Mr Paige resigned in exasperation as the first chairman of the NHS Management Board half way through his three-year contract. Today, Mr Fowler will discuss at Cabinet how to deal with this, the latest in a long line of political embarrassments over the health service.

It raises new and important questions about how an organisation like the NHS can be effectively managed. The NHS has more than 1m employees, making it Europe's largest employer except for the Red Army. It spends £15bn a year, about 95 per cent of which is taxpayers' money for which Parliament is the guardian. Ministers are accountable to Parliament for that money.

This makes the role of chief executive of the NHS even more difficult than that of a nationalised industry chairman—most of whom complain at one time or another about political meddling in management matters.

Mr Paige's letter of resignation makes little effort to disguise this problem. "Ministers and the chairman of the management board can approach the same issue with different perspectives, priorities, objectives and restraints. The conclusions are not always compatible. Also, there are always others in the action—or trying to be. Within my remit that makes for difficulties in working to the management standards and style to which I am committed. I have brought this to your notice on several occasions. You are aware that it is not working out as I believe it should."

Clearly, Mr Paige's difficulties have had more to do with the relationships at the centre of the NHS — the management board and the Health department ministers and civil servants — than with the introduction of the new management system out in the NHS tiers.

But Mr Fowler remains ultimately in charge of the NHS. And widespread opposition from some interest groups, notably the nurses, to the management changes and loudly expressed public concern about the state of the NHS created a political problem which, combined with the structural difficulties at the centre, produced intolerable restrictions on Mr Paige's freedom to manage.

The management reorganisation of the NHS was effectively the second reorganisation of the service since the Government took office in 1979; the health service has suffered the upheaval of reorganisation more often even than Britain's much reorganised local government system.

By 1983, the Government was at the height of its crusade for value for money in the public sector and was advocating "better rather than more public spending." As part of this campaign, Mr (now Sir) Roy Griffiths, managing director of J. Sainsbury, was asked to chair an inquiry team to advise on the effective use and management of manpower and related resources in the NHS.

The Griffiths Report in 1983 recommended radical change, a key passage stating: "One of our most immediate observations from a business background is the lack of a clearly defined management function throughout the NHS. By general management we mean the responsibility drawn together in one person, at different levels of the organisation, for planning, implementation and control of performance."

This paragraph was the death knell of consensus team management which in many cases had increasingly come to be a power base for consultants protective of their individual operating theatre hours or budgets and who could never see the argument for budgetary discipline in their own speciality.

The Government accepted the Griffiths report analysis that a single general manager should be appointed with executive powers and full responsibility for budgetary discipline in each "unit" or hospital. The same principle should apply at the district level, each of which should have its own general manager, and again at the 13 regions in the top tier.

The central management would be the NHS management Board chaired, said Griffiths "by a strong chairman almost certainly from outside the NHS and the civil service to be the Secretary of State's right hand man." On top of that would be a NHS supervisory board, chaired by the Secretary of State. It is the relationship between these two boards that has soured. The damage to the management reorganisation and public confidence in the handling of the NHS is likely to be considerable, as the Social Services Committee warned when considering the Griffiths Report in March 1984. "We give a general welcome to the proposals which are intended to lead to more efficient, effective and co-ordinated central management. The potential is considerable, as is the scale of damage which a botched reorganisation at the centre would cause."

But the committee, like the Government, hoped that this tough approach to management, particularly budgetary discipline, would help to contain and rationalise some of the tremendous cost pressures within the health service such as the soaring prices of medical high technology and the mounting cost of health services to the elderly.

The implementation of the Griffiths report required the appointment of more than 1,000 new general managers. Some public alarm about people staying in their old jobs with a new title and a £3,000 annual salary rise were countered by despair among NHS employees required to re-apply, not always successfully, for their jobs. "Since 1975 I have been made technically redundant seven times," said one hospital administrator in 1984.

Many former administrators were re-appointed as general managers and blanket criticism of this is unfair. Many, transformed from being the secretary at the bottom of the committee table to the chairman at the top with executive power and the last word, have responded well and have effectively combined the delicate task of handling touchy consultants with maintaining budgetary discipline.

The success is at its most marked, with exceptions, in the districts where the transition has mainly been smooth; management costs as a proportion of turnover have been cut substantially and for the first time districts have produced 10-year strategic plans. It is at its least obvious at the individual hospital level, and in London, where doctors find it easiest to inflame media passions about the state of the hospitals, the acceptance of the new management culture is at its patchiest.

It is at this level also that the greatest resistance welled up against the Griffiths ethos and Mr Paige's early determination to implement it. While doctors were cool to the changes the 480,000 nurses, the public's best-loved public sector group, launched a highy emotive anti-Griffiths campaign which peaked earlier this year

This dissent by an important pressure group arose at the same time as public support grew for higher nurses' pay and public and political anxiety about the resourcing of the NHS reached new heights. The nurses secured a 6 per cent pay rise and Mr Fowler secured an extra £60m for NHS cash limits this year towards the cost.

But the political imperative to convince the public that the NHS is, as Mrs Thatcher promised in the last election campaign, "safe in our hands," coupled with the tight rein on public spending mean that Mr Fowler needs ever quicker results. He wanted, and his civil servants tried to get, faster value for money achievements so that existing cash was freed to be put back into the service.

Mr Paige, however, increasingly resented such demands and interference. If anything, he mellowed and wanted to take a more cautious pace once administrators were appointed. Both civil servants and some NHS administrators noticed that the more he travelled within the NHS the more he seemed to be absorbed by its culture.

The hard-nosed business approach which seemed appropriate during his carrer at Boots, the Port of London Authority and the National Freight Corporation seemed less in evidence and his resignation letter refers to the dedicated and caring concern of the NHS staff.

Not surprisingly, his friendship with Mr Fowler, dating back to the days when the Minister as Transport Secretary helped him organise the employee buy-out of National Freight, became more strained as their competing philosophies clashed — although Mr Fowler is genuinely sorry and upset that his friend has walked out.

Some clear lessons emerge from the abrupt end to Mr Paige's 18 months in charge of the NHS. One is that difficulties in finding someone to take such a job, which were acute in 1984, should not be solved by a last-minute appeal to an old friend who might not be prepared for the political cut and thrust involved.

Another is that wide and radical reorganisation of such a huge undertaking probably requires increased financial resources in the short run to deal with education and training.

To attempt such a feat while reallocating scarce resources between the regions is inviting trouble. The management upheaval is going to be accompanied by, and get mixed up with, ward and hospital closures as part of the resource reallocation. Hence the brouhaha over Griffiths has become mixed up in London (which the Government regards as over-provided with hospital and doctors) with the switch of funds away to poorer regions. The resulting bad publicity and bad NHS morale have proved a formidable problem for the Government.

Perhaps most important, a rethink about the structure of the central management of the NHS is needed in the light of Mr Paige's experience.

As Parliament demands almost day-to-day accountability for all the taxpayers' cash going to the NHS, it is inevitable that the Social Services Secretary will be the key decision maker. It may make sense, therefore, to merge the competing Management and Supervisory Boards with the politician as chairman and an appointee as his chief executive.

The alternative is to continue with the present structure and appoint a successor to Mr Paige who will be faced with the equivalent of running a company which is permanently at its annual general meeting.

A HISTORY OF MANAGEMENT PROBLEMS

THE PROBLEMS of managing the National Health Service have exercised ministers since its creation in 1948, the conundrum always being how best to construct an effective management formula around such diverse groups as nurses, administrators, patients, laymen and, most prickly in hospitals, the consultants.

The NHS inherited local authority hospitals run by a medical superintendent and hospital groups run by a medical officer. In the first decade after 1948 the medical superintendent was replaced by a tri-partite structure of doctor, matron and administrator, the basis of consensus management which survived until 1984.

These teams reported to the district health authority which reported to the regional health authority, both of which comprised lay, medical and local authority representatives. This, in turn, reported to the Social Services secretary.

In 1974 Sir Keith Joseph introduced a new tier of administration, area health authorities, between regions and districts. These areas were disbanded in 1982.

Under the Griffiths reorganisation of 1984 the regions, districts and individual hospitals each got a general manager with executive power and budgetary responsibility and consensus management teams were disbanded. The NHS is now centrally managed by a full-time management board which reports to a NHS supervisory board, chaired by the Social Services Secretary.

Men and Matters

Nelson berths at Lazard

"Capital will not be in short supply for attractive offerings," said Lazard Brothers chairman Sir John Nott yesterday, glowing with the satisfactory exertions of Lazard's second £300m-plus placing for Dee Corporation.

But if there is no shortage of capital after the Big aBng, Nott reckons that there will be a premium on independent advice. "That is why we have chosen to concentrate more on human rather than financial resources," he said.

In line with that thinking, Nott announced that Lazard is appointing John Nelson, 38, currently a director of Kleinwort Benson, as a managing director and head of its corporate finance division next month.

Nelson has been with Kleinwort since qualifying as an accountant 15 years ago, spent a couple of years in New York, and has been involved in its corporate finance activities almost throughout.

He has been associated, in particular, with advising Hillsdown Holdings during its growth over the past decade; and with the privatisation of British shipyards. "A man of experience," said Nott, "who should bring in some new ideas."

Nelson agrees—hardly surprisingly—with Nott's Big Bang game plan. "With a good team, free of any possible conflict of interests, I think Lazards do have a tremendous opportunity," he said.

For a song

Former Barings director, David Elliott, will be back in the City today for an unusual presentation to some of the Square Mile's banks and finance houses by his new company — the English National Opera.

Elliott, the ENO's finance director, and the company's managing director, Peter Jonas, are leading some of their 600-strong company in a lunchtime get-together with potential sponsors at Goldsmiths' Hall.

Invited guests—which include a fair sprinkling of American, Japanese and other foreign settlers in the City — will be shown videos of ENO productions, models of its sets, and stage costumes. Two of the ENO's leading singers will round off the show.

On a current budget of £12m, the ENO puts on some 200 performances in an annual 44-week season at the Coliseum. But only 5 per cent of its funds come from private sponsors—two-thirds come from national and local government subsidies, and the rest from the box office.

In the last five years, its grant income has grown by 37 per cent, but its costs have risen by 47 per cent. Hence the search for new funds.

Its performance in the City, the ENO hopes, will persuade some institutions that an investment would make sound commercial sense as well as being fun.

High tech moat

Interpol, the 138-nation police organisation, yesterday lifted a corner of its customary veil of discretion when it invited journalists to see the site of its future headquarters in Lyons, south-east France.

The organisation will move to the Rhone-Alpes metropolis in 1988. Interpol, however, is trying to speed up the work by six months following a terrorist attack on its present headquarters at St Cloud, west of Paris, just two weeks ago.

The organisation's new strong man, the ex-British Special Branch officer Raymond Kendall, who became secretary-general last October, says with grim Scotland Yard humour that last month's bomb started the demolition work.

Overcoming the reticence of some of its member states (which include Libya, Iran and Syria), Interpol is putting more muscle into the anti-terrorist fight.

John Simpson, the director of the US Secret Service and Interpol's president since 1984, says that recent alerts over the risk of attacks on Channel ferries have reflected increased police vigilance.

In addition to the SFr 26m which the new building is costing, Interpol is spending SFr 6m on new telecommunications and computers to update its fight against international crime.

Simpson brushed aside worries that the modernistic concrete and glass structure could prove a tempting target for terrorists. It will be well protected, he pointed out. The building will be surrounded by a moat in the mediaeval tradition of high security.

Low profile

Unusually for a VIP visit, when Alick Buchanan Smith, the energy minister, opened the Humbly Grove oilfield, Hampshire, yesterday the operator, Carless Petroleum, made every effort to ensure that he would see as little as possible.

About £1m has been spent camouflaging the sites by scooping out recesses in the rolling woodland, throwing up earth banks, and planting 21,000 trees round the perimeters.

Oil tanks at the loading station have been sunk 1.5 metres into the ground, and compressers have been encased in concrete silos to prevent the hum of machinery from disturbing the rural idyll.

John Butterfield, the project manager, feels secure in claiming: "In a few years time this will look more like an arboretum than an industrial site."

Carless have submitted to the planners' desire for tanks and pipework to be painted in tasteful browns and greens. But no effort has been made to disguise the £30m investment with such devices as doric columns or rustic facades.

Butterfield says the intention is that the site should be concealed as much as possible. But it should also show "the best practice of industrial design."

In any case why bother to conceal the pipes and boilers behind pretend buildings in Hampshire while in the City of London, Lloyd's, the insurance market, has gone to great trouble and expense to put the plumbing on the outside of its new building?

Fine art

Painless extraction of money has always been something of a Swiss speciality. Along with Zurich "gnomes" and St Moritz hoteliers, this skill now seems to have been mastered by the cantonal police of rural Basle.

The force has just signed an agreement with Diners Club and other credit card firms to enable cashless payment of on-the-spot fines. Patrol cars will carry printers and billing forms to accept the plastic of their clients' choice.

I await news of the first customer, versed in Swiss financial lore, to offer cash for a 5 per cent rebate.

Deep study

Extract from minutes of an interdepartmental committee on the financing and administration of flood defences — "Mr ... said that some water authorities had established sinking funds, which would need to be looked into to see if they were still available for flood defence."

Observer

Economic Viewpoint

A pause before a spurt

By Samuel Brittan

IF THE editor allowed question marks against titles, the title of this article would have one.

A fortnight ago I wrote about the pause in UK growth in the first few months of 1986, and said it was part of a pause in the industrial world as a whole.

It is now time to turn to the international dimension. The facts of the pause are clearly established. There are powerful arguments that growth will resume and even accelerate. But it is more important to draw decision trees for policy responses to different eventualities than it is to argue about the crystal ball.

The facts of the pause are displayed on the chart, which shows the level (not the rate of change) of real GNP in the seven main OECD countries.

As far as I know, this pause was not forecast by any school of economic thought. The consensus view was that the drastic drop in oil prices would give a shot in the arm to the main industrial countries.

Indeed, some technical monetarists even feared that way-above target rates of growth of some of the monetary aggregates in the US, UK and other countries would lead to an inflationary boom. Instead, average inflation rates have never been lower, and on some measures, "zero inflation" has already been achieved in the industrial world as a whole, although not in the UK.

The reason most often advanced for the pause is that the adverse effects of the oil price shock have come through before the more favourable effects.

Not only are Opec countries in trouble. So, too, are oil-producing regions within the industrial world such as Texas and the North Sea. The cut in oil exploration is having ripple effects throughout the capital goods industries.

By contrast, consumers and businesses, whose income and wealth have been boosted by lower oil prices can take their time to adjust to their increased purchasing power.

The London Business School June forecast release has an ingenious additional item to add to the litany of post hoc explanation. This is that buyers of products are now holding off, waiting for the reduction in oil prices to work its way through their economies to the items they want to purchase. According to the LBS, wholesale prices in the industrial countries are now falling and will not reach bottom until the third quarter of this year.

The LBS can cite some evidence for its thesis from the behaviour of OECD output after the second oil price shock associated with the fall of the Shah, in early 1979. On that occasion expansion in the industrial world continued throughout most of 1979, as buyers built up stocks in anticipation of a rise in prices. The downturn did not come until 1980.

The case for expecting a resumption in growth later this year and in 1987 is the same as the original case for expecting that the fall in oil prices would boost world activity. It is a matter of benefits postponed — and perhaps as a result coming in greater profusion when they arrive.

If the drop in the value of the dollar is taken into account, the real fall in the oil price since 1985 amounts to over 60 per cent, and more than wipes out the second oil shock of 1979.

The fall in oil prices is equivalent to a reduction in indirect taxes worth 3 per cent of the GNP of the industrial countries.

The offset is that there will be a similar reduction in income on the part of Opec countries.

The Opec offset will, however, be much less than complete. Some Opec countries cannot afford to reduce imports any further. Others have a sufficient cushion of financial assets to avoid matching the whole of their reduction in oil revenues with import cuts.

But there is more to the case for an upturn than the hope that increased spending within the OECD will not be fully offset by lower spending by the oil-producing countries. The slowing in world inflation—and actual downturn of prices on some measures—has boosted the real value of financial assets, including liquid holdings, bonds and equities.

It has done so both directly and by facilitating lower interest rates throughout the world. The fall in the dollar —although it may ultimately curb US imports, despite Mr James Baker's grumblings, and thus withdraw one "support" for world activity—had added another support by making it easier for central banks to reduce their interest rates by amounts greater than the oil price fall on its own would have permitted.

It is for such reasons that the LBS is expecting a rapid acceleration in growth in the industrial world. It expects growth of GNP in the main OECD countries to reach a peak of over 4½ per cent in 1987—far more than the OECD and other consensus forecasters—with industrial production rising at rates so rapid that it will strain credibility if I reproduce them. The April German industrial production index, and some US economic indicators, are among the first signs that the upturn may now be resuming in earnest. Even the CBI interprets its May survey in a moderately bullish way.

Judged by past standards, there would be nothing abnormal in the world economy recovering from its present pause and expanding at above trend rates in 1987 and beyond. Not quite 14 quarters have elapsed since the trough of the last recession, dated by the OECD as the fourth quarter of 1982. This is much longer than the five to seven quarter-long expansionary phases of the 1960s and early 1970s, but still much shorter than the last 20 quarters-long upswing which carried on from the first quarter of 1975 to the beginning of 1980.

The average annual rate of growth in the latest expansion —about 3¾ per cent—has, like its 1975-80 predecessor, been much lower than in earlier upswings. This is one reason why it may be prolonged.

Although I am sceptical of optimistic forecasts, I am even more sceptical of chronically sulky British industrialists, who do not appreciate their good fortune in enjoying record increases in profits sustained over several years, with a return to profitability levels previously enjoyed in the Golden Age before 1973. They deserve a Kinnock Government, as do those voters who have forgotten what it is like to see the cars from Congress House roll up at No. 10.

Anthony Bird draws attention in his June World Economic Prospects to the discrepancy between European indicators of industrial confidence which are weak and of financial and stock market confidence, which are strong despite recent minor setbacks in the latter. Construction and consumer confidence come in between.

As he emphasises, industry's caution is likely to be more potent in the short term, because pessimistic businessmen make decisions about inventory and investment. But the financial markets' optimism will prevail in the longer term, when even European businessmen wake up to the shot in the arm provided to OECD real income and to non-oil developing countries by the oil price collapse and very low inflation generally.

But there is another side to the picture. The LBS argues that the resumed world upturn in 1986-87 will eventually lead to some modest turnround in price levels in an inflationary direction.

Too many analysts, especially those of a Wall Street or financial market orientation, have been crying "world deflation" on the basis of falling wholesale prices, such as those shown in the chart.

These falls reflect reductions in oil and commodity prices originating from outside the OECD. These are of a once-for-all nature. If they are merely not repeated, wholesale prices will start once more to rise again, at least slightly. If commodity prices begin to recover, as the LBS expects, the effect will be all the greater.

If we want a non-hysterical look at both the relative dangers of inflation and deflation, and the stance of policy, it is helpful to examine the movement of Nominal GDP and its breakdown between real output growth and inflation—the latter as shown by the GDP deflator. The GDP deflator has the advantage over wholesale and consumer price indices of excluding import prices and therefore eliminating many temporary fluctuations, as well as showing the underlying rate of inflation generated by the industrial countries themselves.

OECD forecasts for the whole area show a gradual downward trend in Nominal GDP growth, but a big improvement in its composition. A pronounced fall is expected in internally generated inflation to just over 2 per cent in 1987—which is still a far cry from "deflation." And the OECD expects it to be accompanied by a gradual acceleration of output, although not on the scale expected by the LBS.

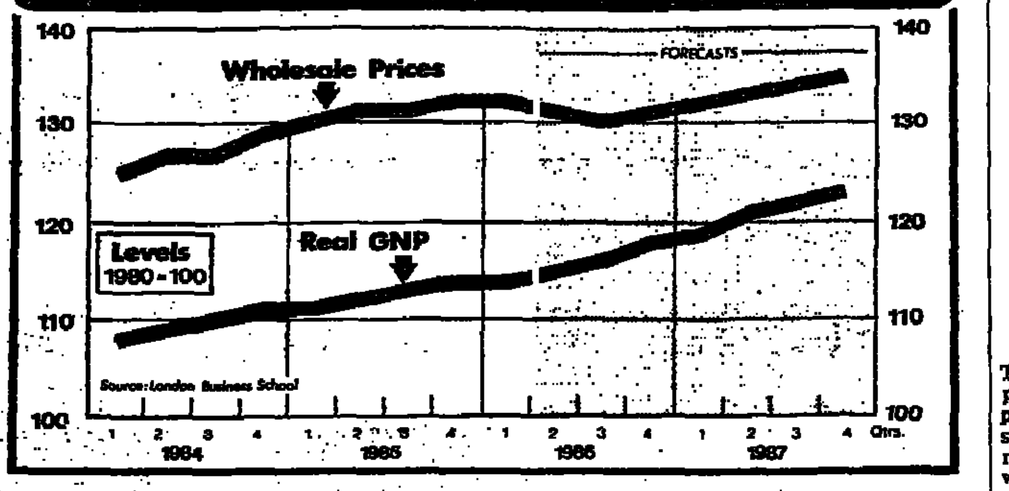
The UK is shown on the OECD analysis with a slightly higher growth of nominal demand than the average, a slower growth of output, but a higher internally generated inflation rate. This does not suggest much room for a policy stimulus.

Japan and Germany emerge from this analysis with expected nominal demand growth of around 4 to 5 per cent in 1986, low but not negative inflation, and growth rates of just over 3 per cent—which may be too low to please the US Administration or world economic co-ordinators, but may be high enough for domestic electorates in these two countries.

The one case, where there may be a genuine danger of "deflation" if the OECD is anything like right is Japan in 1987, where nominal demand growth is expected to be just over 3 per cent, and the GDP deflator is expected to be virtually zero.

Any lower numbers than this central forecast really will be "too deflationary." The danger is that the demand expansionists have cried "wolf" so often that the Japanese—and any others—may turn a deaf ear when there really is a wolf at the door.

OECD PERFORMANCE



DEMAND, OUTPUT AND PRICES

OECD "Big Seven"†

	% Annual increase		
	Nominal GDP	Price deflator	Real GDP
1983	7½	4½	3
1984	9	4	5
1985	6¼	3¾	2½
1986*	6	3	3
1987*	5¾	2¼	3½

* Forecast. † US, Japan, Germany, UK, France, Italy, Canada.

Source: OECD Economic Outlook, May 1986

Lombard

Keep it simple for investors

By Richard Lambert

THE BRITISH Government's proposals for personal equity plans (PEP) designed to attract small shareholders to the stock market have not been received with much enthusiasm. Such plans, it is argued, will be costly to administer and of limited appeal. But the government could surprise the sceptics, provided it draws the right conclusions from the spectacular success of a similar scheme which has been operating for the past few years in Sweden.

Launched by the previous administration, this has now pulled in some 2m investors, or about one-third of the adult population. Total investment this year could exceed SKr 15bn — double the 1984 level.

The scheme has much in common with the UK's proposed PEP. Investors put aside a set amount a month up to a maximum figure. This investment cannot itself be set off against income tax, but dividend income and capital gains are tax free. The one big difference is that Swedish investors have a choice: their money can go into a deposit type scheme as well as into an equity fund.

There are three main explanations for the Swedish success. Tax-free capital gains and dividends are enormously attractive in a country where the tax rate for full-time wage earners averages around 50 per cent, and where short-term capital gains are taxed at a top marginal rate of up to 80 per cent.

The British Government is committed to reducing its already much lower income tax rate, and with it the incentives to subscribe to a PEP. But the other main ingredients of the Swedish model are more relevant to the UK policymakers. These are that the scheme offers savers great liquidity and is extremely uncomplicated.

Swedes can withdraw part or all of their funds at any time in return for a fee of just 1 per cent. The value which they attach to this freedom is measurable. The original version of the scheme offered much bigger tax breaks — part of the money invested could be offset against income tax payments — but investors were locked in for five years. The Social Democrats took away the income tax concession and added much greater liquidity — since when the number of investors has doubled.

The Swedish authorities also attach great importance to the simplicity of their scheme. At one stage, thought was given to the idea of allowing investors who had built up a big enough sum (SKr 20,000) the freedom to buy individual stocks rather than to invest in an equity fund. But the notion was shelved on the grounds that it would make life too complicated.

This is where the British may be going wrong. The underlying principle of the PEP proposals is that a clear link must be preserved between investors and their shares, so that they can attend and vote at company meetings, receive information direct from the company, and benefit from shareholders' privileges in general. The political attractions of such an approach are obvious, but the cost may be too great.

Apart from higher administration expenses, the goal of direct investment can only be achieved by imposing all kinds of complicated rules—about how long cash may be held in a PEP when shares are switched, about how much cash can be accumulated before making an investment, and so on. As currently envisaged, a PEP built up in one year must be held throughout the following 12 months in order to qualify for tax relief, making it less liquid as well as a lot more complicated than the Swedish model.

The likelihood is that, by placing too much emphasis on the objective of direct ownership, the British Government will produce a scheme that will turn out to be a form of tax relief for people who would have been buying shares anyway. Better, perhaps, to compromise a little on the political principle, and to come up with a plan which will attract new savers to equity-type investments.

Letters to the Editor

United Kingdom shipbuilding

From the Board Member for Ship and Engine Building, British Shipbuilders

Sir,—As with every long established industry in the United Kingdom, shipbuilding has had difficulties in adjusting to full international competition and dealing with a recession which is deeper than that experienced in the 1930s. The concluding paragraphs of the article by Correlli Barnett (May 28) were, however, grossly misleading and appeared to be an attempt to project previous difficulties as a reason for the current crisis. No mention is made of the fact that it is an international problem, where world shipbuilding capacity is some 40 per cent greater than the current demand. The prices of particular ship types are often less now than they were in 1973, which means that all shipbuilders are losing money and only survive with some form of subsidy.

The response of British Shipbuilders has been to introduce a major restructuring programme in which capacity, following the implementation of recently announced changes, will have been reduced by 87 per cent from the numbers employed at nationalisation in 1977. This is significantly more than other European nations, who in general have cut back by 50 per cent.

In parallel, there has been a major programme of performance improvement, including product development of the type hinted at in the article, aimed at capitalising on our undoubted strengths in certain areas of technology. This has moved us away from always being in direct head-on competition with the world price leaders—Japan and Korea. It also represents a major shift in our marketing strategy, allied to a determination to serve and support our customers. The programme has been concerned with every aspect of our operation, including a comprehensive training and retraining effort, improved manufacturing technology, using more semi-automatic and automatic equipment and a major investment in computers, placing us in the position of being world leaders in the application of computergraphics. Indeed, the capital investment in equipment over the last five years has exceeded £50m and we now have well organised yards manned by trained personnel, using the most modern technology.

Cost reduction has also been achieved through reorganisation and a cutting of overheads, together with intensive discussions with suppliers who, on average, represent some 60 per cent of the total cost of our products. This has been done with a view to the future, in what is forecast to be an expanding industry in the early 1990s.

The changes in working practice are also understated. There have been major improvements in the flexibility of all employees and it is grossly unfair to belittle what has been achieved. Indeed, it has involved changes at all levels, starting with management and supervision. The implementation of a massive range of changes has been accompanied by a communications programme, designed to keep everyone informed of what has to be done and what each individual contribution must be. The net result of these changes is that we are now cost competitive with certainly the best in Europe and Scandinavia. This has been accompanied by corresponding improvements in our delivery record, which would now bear comparison with any competitor.

We at British Shipbuilders would be pleased to show Correlli Barnett some of these changes in practice and would be more than confident that the article would have been quite different if it had been based on some live research.

(Dr) Peter A. Milne.
136 Sandyford Road, Newcastle upon Tyne.

EEC competition policy

From the Industrial and Legal Information Officer, Commission of the European Communities

Sir,—It was interesting to read the recommendation of Michael Prowse (Lombard, May 27) that the competition policy of the EEC should replace the national version. In fact the two systems are broadly compatible and in practice can work fairly happily in tandem. As far as the Commission is concerned, shortage of staff is already a problem in this area and we could not take on the work of the Office of Fair Trading as well as dealing with restrictive practices at European level.

Mr Prowse rightly points out that EEC competition law can only be involved if trade between member states is affected. In fact, the EEC Court of Justice has established that a potential effect on such trade will usually be enough to bring a restrictive agreement within EEC jurisdiction.

Merger policy is not directly affected by EEC law, as Mr Prowse says. But the Court of Justice ruled as long ago as 1978 in the Continental Can case that a merger could amount to abuse of dominant position under Article 86 of the EEC Treaty.

Robert Sheaf,
8 Storey's Gate, SW1.

Japanese high definition TV

From Dr B. Evans

Sir,—I was delighted to see Lombard (June 2) enthralled with the quality of high definition TV in Japan.

The proposed 1125 line system is of course clearly better than the current Japanese 525 line TV standard which is the same as that used in North America.

Anyone who has seen both North American and European TV would agree that there is a more presssing need for the Americans to improve their TV. Even for Europe there is a useful though not earth shattering improvement to be made by moving to TV standards in excess of 1,000 lines.

There are a number of "magic numbers" that come to mind, some that fall naturally from TV technology, some from personal computers and, perhaps most important, some from the newly popular facsimile machines.

If TV, personal computing and facsimile are to come together on to one screen it is important that the best magic number is chosen. The Japanese HDTV system gives us just a taste of what might be achieved.

(Dr) B. T. Evans.
19 Cassiobury Park Ave, Watford

Responsibilities of trustees

From Mr P. Carroll

Sir, — Michael McShee (May 30) treats rather lightly the responsibilities of the trustees of pension funds to safeguard the interest of the members. He sees no "logic" in "the proposition that employers should provide benefits for members that were never part of the original benefit promise." In this country an employer that failed to use the surplus in his pension fund to increase pensions in payment to go at least some way to meet increases in the cost of living would be breaking faith with his employees even though such increases were never promised in the trust deed of the scheme. Other discretionary increases in benefits in respect of ill-health retirement and early retirement of certain employees can also be important and trustees have a responsibility to consider such benefits before agreeing to a claw back of surplus.

It may be that Michael McShee has been imbibing too freely American attitudes to employee benefits. In the US the clawing back of pension funds has been such a widespread scandal that it has been labelled the "problem of asset reversion." American legislation that benefits be "determinable" has no doubt provided plenty of opportunities for unscrupulous employers to succumb to temptations of this kind which arise when the stock market is at a peak.

Rather than follow the Americans by introducing legislation that favours such malpractices would it not be better for our Government to ban all clawing back of pension funds so that employers and their actuarial advisors would take more care not to overfund the pension funds in their care by fixing a contribution rate at a high level and waiting several years before considering a review of funding and benefits?

Patrick Carroll.
35 Canonbury Road, N1

Making a judgment

From the Secretary General, Committee of Vice-Chancellors and Principals of the Universities of the UK.

Sir,—You have in recent days published two league tables of universities. One (May 21) purported to be the "University Grant Committee's ranking of university performance in teaching and research."

The other (May 24) headed "Degrees of excellence" was an update of your education correspondent, Michael Dixon's, own now familiar league table of employability of each university's graduates.

Both articles stated that the UGC had made a judgment as to the quality of teaching as well as research. This is not the case. As the chairman of the UGC told vice-chancellors and principals last week, "In making the distribution we have made a judgment about the quality of research but we have made no quality judgment on teaching. The teaching distribution was done on the basis of numbers and subject distribution alone."

The UGC has also made it clear that this teaching distribution was the most important determinant of this year's allocation. This means that your first table is not a rank order of quality, simply of cash grants.

B. H. Taylor.
29, Tavistock Square, WC1.

Michael Dixon writes: The UGC stated on May 20 that the method used for distributing the grant was "based partly on teaching and research criteria." I am informed that although the UGC itself did not make a judgment of teaching quality, such judgments were made by its subject committees in allocating students numbers to the different institutions.

FINANCIAL TIMES

Thursday June 5 1986

Rupert Cornwell explains doubts surrounding the start-up of a fast-breeder reactor

Germans shun a nuclear white elephant

AT KALKAR, it must be said at the outset, all is quiet. There are no encampments of Greens and environmentalists around West Germany's first commercial fast-breeder reactor, louring square, grey and massive over the flat countryside of the lower Rhine, close to the border with the Netherlands. Police contingents are notable only by their absence.

True, the number of visitors to the information centre within the reactor complex has leapt since the Chernobyl disaster to 1,000 a day, and a Breughelesque mural on a nearby barn wall depicts the local populace cast into a radiation-filled hell, beneath the mocking gaze of a harlequin bearing the latters KWU, for Kraftwerk Union, the prime contractor for the project.

But Kalkar, named after a small idyllic town nearby founded 756 years ago by the counts of Kleve, has experienced none of the weekends of lurid violence which have disfigured protest against the planned nuclear reprocessing plant at Wackersdorf in Bavaria.

Yet Kalka, or rather the plant which has given it celebrity for the first time since the decline of the wool trade epitomises the quandary of the nuclear planners in Bonn. In short, it might yet be the most expensive and diplomatically embarrassing casualty of the anti-atomic crusade in Germany.

Wackersdorf may have drawn the headlines, but it is no more than a hole in the ground in a forest clearing. Kalkar on the other hand has been under construction since 1973. Today, at a cost of DM 6.5bn ($2.8bn) – provided not only by West Germany, but also by Belgium and the Netherlands, which each have 15 per cent of the project – it is virtually ready.

An obsessive nuclear *Angst*, which predates by more than a decade the disaster in the Soviet Union, ensures that the West German authorities, at both federal and state level, are second to none in their insistence on safety. Kalkar has already received 17 separate clearances and two more are still to be granted, for the installation of the fuel elements and for an experimental start-up.

The central Government says the plant will see active service. So at least it reassured a somewhat anxious Mr Wilfried Martens, the Belgian Prime Minister, whose country has already spent DM 510m on Kalkar, during a recent visit to Bonn. But Brussels and The Hague are already wondering whether they will be able to claim compensation if the whole thing comes to naught. "Kalkar could be one of the biggest white elephants in history," says a Belgian official.

The Chernobyl debate still reverberates through Germany, and all political calculations before the national elections of next January are being rethought. The Christian Democrat-led Government, which at the outset clumsily tried to face down the nuclear storm, is now changing its tune, fearful that unequivocally to champion nuclear power could turn a threatened defeat in the key state election in Lower Saxony on June 15 into a certainty. The appointment of the country's first environment minister is a token of its concern.

The Government's Free Democrat (FDP) allies have shifted their stance uncomfortably on to the fence. The opposition Social Democrats (SPD), propelled as much by anxiety at losing votes to the resurgent, anti-nuclear Greens to its left as by an inherent hostility to nuclear power, now demands abandonment of it in favour of other energy sources.

The Greens want every one of the 20 operating reactors, which provide 31 per cent of West Germany's electricity, switched off at once. Even the influential union movement, long in favour of nuclear energy, is now demanding its replacement in the longer term. Only the CSU in Bavaria, whipped on by its master, Mr Franz Josef Strauss, remains wholeheartedly in favour of nuclear power stations in general, and Wackersdorf in particular.

The cacophony at national level is nothing compared with that among the individual states, to which the West German constitution entrusts a huge say in local nuclear policy. Brokdorf, a station due to go on stream this month, has now been held up on order of the Christian Democrat government in Schleswig-Holstein, for fear of political repercussions in neighbouring Lower Saxony.

Ominous question marks, too, must hang over three other stations, due to be completed in 1988 and 1989 in Lower Saxony, Baden-Württemberg and Bavaria, although all three states are today ruled by parties in the present Government.

In those states run by the Social Democrats, the prospects for any extension of nuclear energy are remoter still – and nowhere more so than in North Rhine-Westphalia, in which Kalkar lies. Mr Reimut Jochimsen, the state's economics minister, backed by Mr Johannes Rau, its Prime Minister and the SPD candidate for Chancellor next January, have long been waging battle against Kalkar.

Passions have been inflamed further by the belated disclosure of a tiny leak of radioactivity from a high-temperature reactor at Hamm, near Dortmund, on May 4, a few days after Chernobyl. Mr Jochimsen has accused VEW, the utility which operates the reactor, of a cover-up. VEW originally threatened to sue him for defamation. The Greens demanded his resignation for negligence, and by Monday night 40 local farmers had blocked access roads to the site. By Wednesday, tempers had cooled, but the reactor was still closed.

The rumpus to an outsider might look exaggerated. But for Kalkar it is more bad news. Cheap oil and a surfeit of electric power has made the 300 MW that the fast-breeder would offer redundant – for the time being at least. Primarily, Kalkar is a demonstration reactor, West Germany's entrant in a technology that offers a 60-fold increase in the energy obtainable from a given quantity of uranium.

The earliest start-up date for Kalkar is after the January election, when nuclear passions here may have cooled, always assuming that the CDU/CSU/FDP alliance retains power in Bonn. But even that may be wishful-thinking.

"Chernobyl was the last thing we needed," says Mr August-Wilhelm Eitz, head of Schnell-Brueter-Kernkraftgesellschaft (SBK), the three-nation consortium operating the fast breeder. "The SPD may now get what it wants: the painless death of Kalkar." Theoretically, the Government in Bonn can ultimately override a state authority – but in this climate it surely would not dare.

In the meantime, the advocates of nuclear power are sitting tight, in the hope of friendlier times. Mr Guenter Brueck of Deutsches Atom Forum, a pro-nuclear-umbrella association, stresses that the original arguments for Kalkar remain. "But an individual state in practice can use delaying tactics for ever," he warns. "If you ask me now if Kalkar will ever go into service, I just can't answer you."

BRITAIN TO ALLOW FULL INSPECTION OF SELLAFIELD

The European Commission yesterday won a long-running battle with the British Government to gain full access to civil nuclear reprocessing facilities at the controversial Sellafield plant, writes Tim Dickson in Brussels. The agreement, which enables inspectors of Euratom, the EEC's atomic energy authority, to check for the first time areas where both civil and military material is handled, could have important implications for the application of EEC safeguards to the French nuclear industry. These safegaurds, which apply automatically in member states under the Treaty of Rome, are strictly limited to civil nuclear programmes procedures include the keeping of records of the flow of and stocks of nuclear material. The Commission stressed yesterday that Euratom inspectors have always had access to the purely civil areas of the Sellafield site, but since joining the EEC the British Government has refused them entry to the so-called "mixed facilities" (including the Magnox reprocessing plant) where military material is also handled. Euratom has nevertheless insisted during years of negotiations that it has a right and duty to verify the civil operations within the mixed facilities and that this can be done without any threat to national security. The timing of yesterday's announcement – coming in the wake of the Chernobyl disaster in the Soviet Union – was described by a British official yesterday as "purely accidental." Technical agreement, he added, had been reached between the two sides two months ago. A Commission official explained that after years of deadlock the British Government first changed its position in 1984. Public desquiet resulting from the well publicised problems at Sellafield, he thought, may have speeded up the final agreement. ● Maurice Samuelson writes: Sellafield reprocesses fuel from UK Magnox power stations as well as similar plants in Italy and Japan. The fuel, which comes in the form of uranium rods in magnesium oxide cases, is reprocessed into uranium, plutonium and other products. The plutonium is either returned to the electricity industry for further fuel applications or directed to military purpeses. The reprocessing has the dual ability to produce "weapons grade" plutonium or plutonium more suitable for electricity production.

THE LEX COLUMN

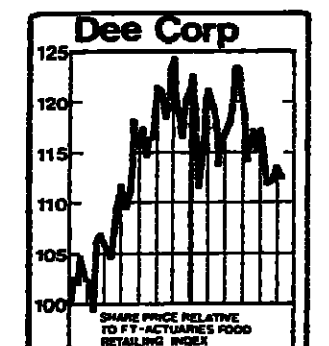
More dough for Mr Weston

The difficulty of keeping a secret in the City of London now being what it is, not a soul was surprised at yesterday morning's placing by the Dee Corporation. Indeed, the details had been sufficiently well-known on the previous afternoon for Dee's shares to have fallen by about 6 per cent during the meeting at which the terms of the issue were supposed to have been fixed. The inevitable London Stock Exchange investigation is unlikely to expose profiteering on the grand scale, but if it makes at least a few people feel very uncomfortable indeed it will have served its turn.

The acquisition of Fine Fare is perhaps the last great purchase of market share that Dee is likely to make in UK food retailing. There are non-too-many 5 per cent shares floating around, and few of them would now fill gaps in Dee's geographical coverage without at the same time creating pockets of unacceptable concentration. With 11 per cent of the market, Dee is now rubbing shoulders with Tesco, and will lay claim to a greater retail cash flow than Sainsbury.

Dee should also get much more out of Fine Fare than AB Foods would have been able to. As a dominant UK food manufacturer, ABF was unable to trade as aggressively in its supermarket chains as it might have liked. And the option of ploughing the group's accumulated net cash into Fine Fare would have amounted to a declaration of war on ABF's main customers – the other food chains. Moreover, with standard retail accounting policies allowing the capitalisation of interest and the inclusion of profits on store disposals in pre-tax profit, Dee's revenue account should in any case extract more profit from Fine Fare than the ultra-conservative ABF.

Where ABF will take its winnings is one of the great enigmas. Including 15 per cent of Dee's equity, net liquid resources now amount to almost £900m, which is producing returns on the street that must increasingly fall short of what ABF might be earning in milling, baking or even the Bishop's Stortford Golf Club (now sold to Dee). To be loaded with cash does nothing at all for the return on shareholders' equity, as the controlling shareholders of ABF are well aware. If ABF were to gear up, it could create some pretty formidable waves in the world food scene, or perhaps elswhere.



More immediately, Dee's shareholders will be debating the merits of the vendor rights issue, rapidly becoming a company trade mark. The more rapacious underwriters of the largest London vendor placing so far (about £350m in fully-paid form) wanted to minimise the amount that could be clawed back by existing shareholders, on the grounds that any upside in the Dee share price should go to the risk-bearers. More generously, victory for the institutions, which wanted a 75 per cent clawback form the placing, has protected the interests of current shareholders. With 25 per cent of Dee's equity still to be registered after the previous placing, a rights issue would not have helped.

Guthrie

The return of Guthrie to the stock market will have none of the panache of its departure after a Malaysian dawn raid in 1981. Companies with a host of unrelated and far-flung manufacturing assets and predominantly North American earnings are scarcely the flavour of this month's equity market.

The management installed by the Malaysians inherited a muddle of defensive activities, from making firemen's hoses to fitting gold taps to executive aircraft. In a period where the Malaysians put no capital in, management succeeded in degearing the balance-sheet despite more or less compulsory investment in underperforming assets 50 per cent ahead of depreciation. Last year, Guthrie generated a cash surplus at a level where any self-respecting Malaysian unit trust would want to take some capital out and attract a dividend stream.

Even without external capital Guthrie has developed its North American automotive supply business with Ford and GM to the extent that it can generate for new investors half-way reliable earnings and the £16m the company raises will presumably go, not to retire tax-efficient North American debt, but to buy some UK earnings alongside a successful and growing carpet underlay business. But Guthrie is still saddled with an induction heating operation of dubious viability, an aviation service that is painfully adjusting to the post-gold tax era and some Australian curiosities.

A historic, actual tax price/earnings multiple of nine is not asking much from the dog businesses; and since management is canny in these matters, there seems no reason the multiple should not go down for 1986 and 1987 at the offer price. The danger is that the Malaysians might operate a tap in their residual 64 per cent holding – or stage a dawn placing through Rowe & Pitman.

Reed International

It is hard to quibble with Reed International's success so far in sorting itself out, but then it had a lot of scope. Although yesterday's results were confused by every sort of exceptional, the 28 per cent pre-tax profit rise to £137.4m for the year to March put 86p on the shares to 930p. That profit gain was despite mainly unfavourable trading conditions. Instead, it came from the work done to reduce the cost base and improve efficiency with help from lower energy prices. Reed's cuts extend to the balance sheet as well and the fall in net debt is only beginning to come through to the interest charge.

Having proved itself as a hacker, Reed must now show that it can acquire and grow, too. It still believes in publishing, which makes nearly half of trading profits, as the main growth generator. Reed Publishing, the trade journal and exhibition business, seems capable of expanding one way or another. But consumer publishing is still a problem, and Reed's track record with Hamlyn is not encouraging. Further cost savings, lower interest payments and modest growth could lift profits this year above £155m. Even on a higher tax charge the prospective p/e is under 11 which still is not a publisher's rating.

De Benedetti set to win control of Valéo

BY PAUL BETTS IN PARIS

MR CARLO DE BENEDETTI, the Italian industrialist, seems set to win management control of Valéo, the leading French car components group. But the French Government will try to limit his power as a shareholder by limiting his stake in the motor components group to 20 per cent.

French industry sources said yesterday that an agreement between Mr De Benedetti, the chairman of Olivetti, and the Government over the future of Valéo was expected to be announced soon. French car industry officials also confirmed that both Peugeot and Renault were not satisfied with the compromise reached with Mr De Benedetti.

The agreement will give Mr De Benedetti responsibility for the industrial strategy of the car components group. After buying nearly 20 per cent of the shares, he had been seeking to acquire a further 16 per cent stake in the company but was temporarily halted by the French Conservative Government. The Government declared Valéo "a defence industry" to block Mr De Benedetti's additional share purchase.

Mr De Benedetti paid about FFr 500m ($46.3m) for his initial stake of nearly 20 per cent which makes him Valéo's single biggest shareholder. Under the agreement to be announced shortly he will be flanked by a pool of French financial institutions with a 15 per cent stake in Valéo and the CGIP French industrial group, which will take a 10 per cent stake in the car components group.

The agreement is clearly favourable to Mr De Benedetti, who will ultimately get much of what he wanted without having to put up additional cash. At the same time, the French car companies claim they are satisfied that the agreement will preserve Valéo's independence.

Valéo's management had been trying to resist Mr De Benedetti's takeover, which comes at a time when the company is expected to return to profit this year

While a solution over the future of Valéo has finally been reached, the efforts of Matra, the French state-controlled defence and electronics group, to merge its car components subsidiaries with those of Fiat are still blocked.

The two companies propose creating a joint subsidiary grouping their car components interests. This would be 65 per cent controlled by the Italian car group.

However, the French Government and the French car companies are against giving Fiat majority control of the venture.

Pacific cable may cut cost of calls

By Jason Crisp in London

A JOINT VENTURE between Britain's Cable and Wireless and Pacific Telecom of the US plans to build a $500m fibre optic submarine cable across the Pacific Ocean by the end of 1989.

The cable would run from Washington State and Alaska to Japan and would dramatically increase competition for the highly profitable international telecommunications traffic. In another joint venture Cable and Wireless is already planning to build two transatlantic fibre optic cables.

Competition from cables using optical fibres which have large capacity compared with existing cables and satellites is likely to mean a sharp fall in the price of international calls. The national telephone administrations are also building two transatlantic fibre optic cables and one across the Pacific. If the four transatlantic cables are installed, capacity will rise 12-fold in five years.

Cable and Wireless plans to link the Pacific and Atlantic cables with fibre optics across the US which would give a direct and high-quality link between Europe, The US and the Far East.

It will probably lease the capacity from US carriers when a coast-to-coast route is established. A fibre optic cable is also likely to be built between Japan and Hong Kong, where Cable and Wireless enjoys a monopoly.

Until the Federal Communications Commission (FCC) gave permission for a private transatlantic cable, all international calls were the effective monopoly of the national telephone administrations.

Yesterday the new joint venture – Pacific Telecom Cable – filed an application with the FCC for a licence to build a across the pacific, citing the precedent of the transatlantic cable.

The consortium of Japanese companies which will pay for half the cable and negotiate the right to land the cable in Japan has not been named. But two groups are reported to be fighting for a licence to compete with Kokusai Denshin Denwa which has Japan's international monopoly.

A consortium of Mitsubishi, Mitsui and Sumitomo has declared an interest in competing. A second group consisting of C. Itoh and Cable and Wireless is also thought to be keen. Negotiations are thought to be going on between all the companies.

Bonn achieves record trade surplus

Continued from Page 1

Officials in Bonn maintain that as the year progresses the trade surplus will shrink, as greater consumer demand sucks in more imports and the initial perverse effect of a more expensive D-Mark, which depresses the value of imports, wears off.

The problem for the authorities, however, remains that the domestic economy is showing less vigour than expected – even though the latest figures for industrial production and orders, also released yesterday, suggest that, after a poor first quarter, the picture may be improving.

While output by manufacturing industry climbed in April by 1.5 per cent, after declining in March, total orders booked in April rose by 4 per cent from March, thanks to stronger interest from domestic customers.

Washington accused of jeopardising summit

Continued from Page 1

ground stations. Marshal Akhromeyev, holding a copy of the Salt-2 treaty, said the Soviet side was not encrypting or coding signals about throw weight, launch weight, general dimensions, type of fuel and number of warheads because this was banned by Salt. Other signals are coded. When the Soviets asked the US what it wanted to know about the coded signals they received no reply, he said.

● The Krasnoyarsk radar station in Siberia. Mr Bessmertnykh repeated the Soviet claim that this radar station now under construction, is for tracking Soviet and US space vehicles. Scientists would be able to tell from its radar emissions once it came into operation that this was the purpose of the station. He denied it was for anti-missile defence, thus violating treaties with the US, and claimed the Soviet offer of talks about Krasnoyarsk and two radar stations in Greenland and Britain were rejected by the US.

Mr Bessmertnykh said US accusations of Soviet violations of Salt treaties were merely attempts to justify planned American violations. The US had only mentioned the Soviet development of the SS-25 as a Salt violation in 1983 when it seriously began to consider the development of the Midgetman missile itself.

Marshal Akhromeyev said the Soviet Union would not allow the US to shift the present military parity between the superpowers in its favour.

Pressed for details of the Soviet military response to the US abandoning Salt he referred to Western press reports of the Soviet Union being easily capable of increasing the number of warheads on its heavy intercontinental ballistic missiles.

Airbus faces new Boeing challenge

Continued from Page 1

jet ever, exceeding the 1,831 total of the earlier Boeing 727, now out of production.

The 737-400 will be cheaper than the A-320, because of lower development costs. Boeing will also develop it quickly, to get it into the marketplace alongside the A-320.

So far, Airbus has won orders for more than 100 A-320s, but Boeing believes that the further orders for 737-400s now in negotiation will soon overtake the A-320 figure. Some existing orders for earlier 737s may now be converted to Series 400s.

The 737-400 will have a fuselage stretch of 9 feet 6 inches, to enable it to carry the bigger 145-seat payload. The engines will be the same as in the existing 737-300, the Franco-US (Snecma-General Electric) CFM-56-3 engines.

World Weather

		°C	°F
Ajaccio	F	21	70
Algiers	F	23	73
Amsterdam	C	11	52
Athens	S	26	79
Bahrain	S	37	99
Bangkok	S	33	91
Barcelona	S	23	73
Beirut	-	—	—
Belfast	F	11	52
Belgrade	F	20	68
Berlin	R	11	52
Biarritz	D	14	57
Bombay	F	33	91
Bordeaux	F	16	61
Brussels	R	10	50
Budapest	-	—	—
B. Aires	F	18	64
Cairo	S	33	91
Cape Town	C	14	57
Caracas	C	27	81
Casablanca	F	21	70
Chicago	R	24	75
Cologne	F	13	55
Copenhagen	C	13	55
Corfu	S	24	75
Dallas	-	—	—
Dublin	C	11	52
Dubrovnik	C	21	70
Edinburgh	R	13	55
Faro	S	23	73
Florence	C	22	72
Frankfurt	F	13	55
Funchal	C	19	66
Geneva	R	10	50
Gibraltar	S	21	70
Glasgow	F	13	55
Guernsey	F	12	54
Helsinki	C	13	55
H Kong	R	27	81
Innsbruck	R	11	52
Inverness	F	12	54
Islamabad	S	34	93
Istanbul	F	22	72
Jakarta	R	31	88
Jersey	F	12	54
Jo'burg	R	10	50
Lima	C	22	72
Lisbon	S	24	75
London	F	13	55
Los Angeles	C	25	77
Luxembourg	R	7	45
Madrid	S	27	81
Majorca	S	18	61
Malaga	S	24	75
Malta	S	27	81
Manchester	C	11	52
Manila	S	33	91
Melbourne	C	14	57
Mexico City	C	25	77
Miami	C	29	84
Milan	F	17	63
Montreal	F	17	63
Moscow	F	25	77
Munich	R	8	46
Nairobi	F	24	75
Naples	F	23	73
Nassau	C	31	88
New Delhi	S	36	97
New York	C	21	70
Nice	F	27	81
Nicosia	S	30	86
Oporto	S	25	77
Oslo	F	15	59
Paris	F	13	55
Peking	S	28	82
Prague	C	12	54
Reykjavik	F	7	45
Rhodes	-	—	—
Rio de J'o	C	23	73
Rome	F	22	72
Salzburg	R	11	52
San Francisco	C	18	66
Seoul	F	23	73
Singapore	C	30	86
Stockholm	C	13	55
Strasbourg	C	12	54
Sydney	S	17	63
Taipei	S	32	90
Tangier	S	26	79
Tel Aviv	S	28	82
Tenerife	F	23	73
Tokyo	C	20	68
Toronto	F	18	64
Tunis	S	25	77
Valencia	S	28	82
Venice	C	18	64
Vienna	F	19	66
Warsaw	F	19	66
Washington	-	—	—
Zurich	C	8	46

Readings at mid-day yesterday.
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Growth key to rates

Continued from Page 1

"They find this pressure to grow very disturbing," the official said, adding that there were concerns that too rapid a dollar devaluation would reignite inflationary pressures in the US which they feared were not as subdued as current statistics suggested, influenced as they were by the sudden fall in oil prices.

While uneasy about US pressure, some officials yesterday made clear that they still welcomed Mr Baker's efforts to improve international economic policy co-ordination, and the shift in US attitudes towards international co-operation on economic issues which he had implemented.

Mr Pöhl, for example, cited the change in US attitudes as a key factor in the progress that has been made, describing it as "a remarkable and significant change in attitude and behaviour." He emphasised, too, that he would not exclude intervention in exchange markets to try to achieve greater stability.

● Mr Volcker said he continued to see a debt crisis for the Third World, particularly those countries hardest hit by falling oil prices, Reuter reports from Boston.

Mr Volcker said: "We have made very real progress over the last three years followed by some very real problems," in terms of Third World debt.

He said: "We should not view this as behind us. Some very real problems remain, specifically for those countries that suffered an oil shock."

SECTION III

FINANCIAL TIMES SURVEY

As Australia moves towards its bicentenary in 1988 it is, like those early settlers, in for a testing time. Mr Hawke's Labor Government faces enormous challenges now that the country has slipped out of the top ten in the world economic league

Australia

CONTENTS

This survey is an integral part of today's issue of the Financial Times and is not for sale as a separate section

Rough water ahead

By Chris Sherwell

IN JUST 19 months' time, Australia celebrates the 200th anniversary of its first foreign settlement. A 16m-strong cosmopolitan nation of immigrants will proudly toast their liberal democracy and standard of life, proclaim their unity in diversity and bask confidently in the prospect of a bright future.

No one would deny the Australians their just celebration. From a blend of British, European and American institutions and cultures they have forged a unique society—full of opportunity yet egalitarian, individualistic yet with a collective streak.

But this most urbanised of people, dwelling so securely on the sun-baked rim of a sparse South Sea island the size of Western Europe, now faces enormous challenges in coping with the future. Their optimism, like that of the earliest settlers, is going to be sorely tested.

If this seems a surprise, it is worth remembering that Australia has now slipped out of the top ten in the world economic league. Indeed, there is no shortage of Australians warning that their country is now truly on the slide

The nation, they say, has been living beyond its means for too long. They point to crime, corruption and drug abuse, to cloistered unenterprising businessmen and bloody-minded trade unions, to lost generations caused by high unemployment and to complacency and wilful ignorance borne of peace and isolation.

Presiding over this extraordinary country's affairs is Mr Bob Hawke, the down-to-earth 56-year-old Prime Minister. Voted into office in March 1983, just a month after securing the leadership of the Labor Party, he was re-elected at the end of 1984 and expects to take Australia into the 1990s after winning the next poll, conveniently due around the time of the bicentennial.

His ambition is to do in Australia what Mr Harold Wilson failed to achieve in Britain—make Labor the party of government. The conservative opposition-coalition of the Liberal party and the National party, which has dominated government since the Federation was formed in 1901, is determined to regain what it sees as its rightful place in power.

Whoever wins this gladiatorial contest, will provide a lesson for Australia and for many of the world's industrial countries, including Britain. Australia's central political issue, like theirs, is the management of the economy. Mr Hawke, through his own brand of "consensus" politics, has pulled labour, business and government along an agreed path aimed at sustained growth—and his policy has reached a crossroads.

This month, the country will complete its third successive year of strong economic growth averaging 4½-5 per cent in real terms. The forecast for 1986-87 is 3-3½ per cent. Under Labor, Australia will have seen an unparalleled period of expansion, well above the average of its partners in the Organisation for Economic Co-operation and Development (OECD).

Stoked by a fiscal stimulus which began under the previous Fraser Government, and helped by the early breaking of a drought and the US's recovery, the growth has created more than 600,000 new jobs and become Mr Hawke's greatest political asset. But it has not come without cost, most crucially to the balance of payments. The current account deficit will rise above A$13bn in 1985-86, around 6 per cent of gross domestic product and well up on the previous year's high figure of A$10.5bn.

Having courageously floated the *Australian dollar earlier*, the Government has paid for this swollen deficit with a sharp currency slide—30 per cent on a trade-weighted basis—in February, April and November last year. Monetary policy has since been tightened, driving interest rates to record high levels. Price inflation is meanwhile touching a worrying annual rate of 9 per cent; well above other OECD countries' *levels*.

The depreciation was supposed to improve the competitiveness of domestic manufacturers against competing imports and stimulate domestic investment. So far the signals are mixed. An improved commodity export performance was also sought, but the Government's difficulties here have been severely complicated by the slide in world prices, which has caused Australia's terms of trade to worse disturbingly.

An even bigger problem is a triple promise made by Mr *Hawke ahead of the 1984 election*. Known misleadingly as the "trilogy," it commits the Government not to increase its spending or tax revenues, and to a reduction in the budget deficit, each as a proportion of gross domestic product.

The Labor Government is now in the midst of a second round of cuts since that pledge was made, and is finding the process extremely painful. Failure to *meet this year's target of* A$1.4bn would rupture one part of the trilogy and thereby all of it. To reach it may mean welfare cuts which would cause uproar on the party's left.

But this is not all. Mr Hawke has constructed a whole edifice of economic policy from a network of fragile building blocks, of which the trilogy is but one. Another is deregulation, at least in the financial sector, where the currency and interest rates have been freed and foreign banks have been allowed in.

A third is the tax reform pack*age announced last September* after a much-vaunted "tax summit" involing the Government, employers and unions. Labor is committed to a capital gains tax and fringe benefits taxes, and to income tax cuts at upper levels of income.

The most important cornerstone underpinning Mr Hawke's economic policy, however, is the "Accord." First unveiled just before Labor came to power in *1983, the Accord is a prices and* incomes agreement between Labor and the trade union movement which, thanks partly to an inherited "wage pause" imposed by the Fraser Government and partly to genuine union restraint, has seen wages rise more slowly than prices and the share of profits increase.

In September last year the Government and unions renewed the agreement in the "Accord Mark II," under which labour showed further restraint. The unions stopped *short of demanding full indexa*tion for the inflationary impact of the dollar's depreciation, deferred claims for productivity increases and agreed to take its proceeds later as superannuation payments.

Needless to say, it is one of the contradictions of Labor policy that its commitment to market forces in the financial sector is not matched in the highly institutionalised labour market. *More importantly, failure* to deliver on the Accord and on tax reform would drive a coach and horses through Labor's commitments to workers and taxpayers, and could threaten the Government's survival.

Labor has already begun complaining bitterly at the apparent failure of business to respond to the changed environment. But Mr John Howard, the opposition leader, finds plenty to make political capital from: the unemployment rate turning back up, record high *interest* rates, high inflation, the large current account deficit and heavy foreign debt, and the dollar's depreciation.

To the Liberals, the Government seems most vulnerable on the tax issue. On the political front they see its weakness as the inordinate influence given to the unions. Yet, while committed even more intensely than Labor to market-orientated free-enterprise policies in a push for greater productivity and competitiveness, Mr Howard faces serious problems winning full-blooded electoral support.

Employers, for example, recognise that the Accord has been good for them, and would be unhappy to see it collapse. The wider perception is that, in the nine months since he took over from Mr Andrew Peacock as leader, Mr Howard has yet to capture the public imagination—even though the opposition, despite its disunity, has stayed well within striking distance of Labor in the opinion polls.

Politics in Australia is a notoriously venal business, and no one doubts that the opposition's real problem is that Mr Hawke has captured the ground from under its feet. Naturally conservative himself, he has overcome the left of his party and offered policies to retain the popular support of a largely conservative electorate by avoiding any reminders of the disastrous Whitlam experience *in the 1970s*.

That has in turn pushed the opposition out to the right. The Liberals stoutly maintain that their alternative will appeal to "middle Australia," especially small businessmen and farmers who feel excluded by Mr *Hawke's corporate style of politics*. But most analysts believe Mr Howard, short of an upset for Mr Hawke, still has a long way to go.

An upset is not impossible, however. The premiers of federal Australia's component states can be expected to react unhappily next week when they are told by the Government that the states' purse strings must be cut. The Labor Party's biannual conference next month may well be stormy. Both the budget, due in August, and the subsequent tax cuts, are posing problems—and Labor does not control the Senate, or upper house, where the Democrats, a third party, have the balance of power.

A further political complication is posed by the continuing 2½-year saga of a High Court judge, Justice Lionel Murphy, who stands accused of misbehaviour and is now the subject of a parliamentary inquiry which is expected to report by September. A former Labor Attorney General, Justice Murphy is a party favourite. If he *has to go, Mr Hawke will face* still more trouble.

Horizons are already starting to narrow as the next election approaches. Electoral considerations are starting to count more, and an early election is not ruled out. Whether the electorate would readily accept what would be the second in a row is another matter. Australia, something of an over-governed country as it is, has too *many elections for most* people's liking, partly because voting is compulsory.

CONTINUED ON PAGE TWO

Economy

Caught in a series of interlocking traps

THE AUSTRALIAN economy is poised like a surfer skimming a giant curling wave: it will either gracefully ride out the current foaming crisis, or it will be overwhelmed and, like the surfer, crash over in a "wipe out." There is no middle way.

The economy has registered one of the fastest growth rates in the OECD area in recent years, but is also deeper in real crisis than most other OECD economies.

The country is an endless list of such paradoxes: a huge land mass with a tiny population; a high-wage economy with low productivity; Third World balance-of-payments problems coupled with the most sophisticated First World financial innovations.

Nobody is clear in the debate about whether the most likely course for the economy will be to become competitive with the super-efficient competitor nations of Asia, or to slump to the irredeemable depths plumbed by the Argentine economy.

In recent times, the citizens have been warned by a leading industrialist that they risk becoming the poor white trash of Asia; and by their increasingly anxious Labor Treasurer, Mr Paul Keating, that, unless they understand just "what sort of an international hole Australia is in," the country will quickly become a banana republic.

These dire warnings appear to be received with a good deal of arm's-length scepticism, however. Australia has, after all, been in deep holes before, in both the 1930s and 1960s, and something has always turned up — hence the nickame "Lucky Country."

But the *something* has been an upturn in commodity prices, or the discovery of new deposits of mineral wealth for which the world was clamouring.

The result has been that the Australian economy has relied ever increasingly on its commodities — natural resources and primary agricultural products — and has become something of a single-sector economy.

The world demand for all these problems is shrinking, and prices have tumbled, accelerated by the oil shocks. Although it is a major supplier of such products, Australia has always been a price-taker rather than setter, and has been unable to mitigate the effects of the price falls.

A lack of entrepreneurial and trading spirit in the country, industries heavily protected by tariffs and barriers, and a highly paid, rigidly unionised workforce have left the country in a weak position to make rapid structural adjustments to the change in its fortunes.

Mr Bob Hawke, the Prime Minister, and Mr Keating moved early in the life of the Government to open up the economy, particularly through financial deregulation, accepting that this would make it more difficult to attempt centrally planned control of the entire economy.

Instead, they have moved on all fronts separately: a tightly restrictive monetary policy has been used to throttle off the growth which was threatening to overheat last year. Unions have been pulled into accords which have cut the growth in real wages, in return for supply-side initiatives like tax cuts. The Australian dollar has been floated and has depreciated rapidly, particularly against the US dollar and the Japanese yen.

The policies have so far not been enough, and the new crisis hinges on a current-account deficit which has continued to widen against all expectations.

But that is not to say that there have not been some notable achievements since 1983. The crucial accord between government and unions choked off the rise in real wages, in a country which was increasingly unable to afford the very high living standards that previous prosperity has delivered. More than 600,000 new jobs have been created which, in a country with a population of just 16m and a workforce of only 5.5m, is a remarkable achievement, masked by the fact that the rapid rise in the size of the workforce has meant that unemployment has barely fallen.

The slow rise in wages was accompanied by rapid growth in output, a sustained revival of corporate profitability and falling inflation. So both fiscal 1983-84 and 1984-85 were two highly successful years of macro-economic performance, and Australia seemed to be recovering from the trauma of the early 1980s recession better than many other industrialised countries.

However, trouble was quickly storing up. Australia had been sustaining much of its recovery through borrowing; and the private sector, deterred by high domestic interest rates, borrowed heavily abroad. Net external debt soared from A$7.3bn in 1980 (6.3 per cent of GDP) to A$52bn (25 per cent of GDP) in 1985.

Consequently, the terms of trade continued to deteriorate and the current account deficit began to look unmanageable. Growth accelerated, but largely due to soaring consumer demand which was satisfied by great inhalations of imports. International confidence in Australia's abality to pull itself into non-inflationary growth evaporated.

The resulting sharp devaluation in the dollar should have been good news for the economy. Exporters would benefit, imports would slow, stability would reign (encouraging companies to invest), and foreign investment would pour in. The balance of payments would come under control, and external debt would fall back to less worrying levels. So the theory went.

Mr Keating warned that it was vital that the benefits of the currency depreciation were not lost by being passed straight through in money wages. The continuation of the pay accord stopped this happening; wages have risen by under 4 per cent in the last year, while consumer prices have increased by more than 9 per cent, so that much of the depreciation has usefully acted as a corrective to price relativities.

He also warned that it would be some time before the trade slide benefited from the devaluation effects, because of the typical time lag involved. As a result, Australia became probably the only nation in the world where the daily chat was about the J-curve, the economic representation of the upturn in trade and current account after a lagged slide following devaluation.

But it has not appeared. "Who will put the curve in the J?" asked the National Australia Bank. "Where is the J-curve? We can't wait forever," said Simon Crean, leader of the trade unions.

While foreign investment did pick up, and interest rates up around the 18 per cent mark attracted foreign capital to the country, the vital investment in manufacturing industry and new sources of internal productive wealth did not materialise in enough strength. There are latterly, however, signs within the components of imports that business is starting to bring in the type of semi-finished manufactures that are a precursor to new investment in a country notgenerally able to produce its own basic industrial foundations.

In a sense, Mr Keating is running out of time. He has to present a new budget in August; the unions are getting restless as their side of the pact fails to deliver either major investment or falling unemployment; income tax cuts and pension arrangements, promised in return for the pay pact, are imminent at a time when the economy is least able to absorb them; and, worst of all, the trade situation continues to deteriorate.

The current account deficit rose from A$6.4bn in 1982-83 (3.9 per cent of GDP) to A$7.3bn in 1983-84 (4 per cent) and A$10.3bn in 1984-85 (4.9 per cent). In the current year, which ends at the end of June, the restrictive policies were supposed to contain the deficit at A$10.75bn which have meant it declining as a proportion of GDP. In May, the Treasury came to the gloomy conclusion that the out-turn would be a deficit of around A$13 to A$13.5bn and so increase again as a proportion of GDP to more than 5 per cent, which is not sustainable.

Mr Keating's "banana republic" comment was prompted by the announcement of unexpectedly bad trade figures for April, which took the total deficit to A$12bn for the first 10 months. So imports and payments on the massive external debt were still far outstripping exports.

"If we fail, Australia's basically done for. We'll just end up being a third-rate economy," he said.

Unless government spending slowed, imports fell and manufacturing investment picked up the only way to deal with the payments deficit would be to close the economy down.

"You cut all the growth to zero, you stop all imports growing." But that also meant falling profits, and unemployment rising from 8 per cent. "If we don't make it this time we never will make it," he said.

He also warned that it would be some time before the trade slide benefited from the devaluation effects, because of the typical time lag involved. As a result, Australia became probably the only nation in the world where the daily chat was about the J-curve, the economic representation of the upturn in trade and current account after a lagged slide following devaluation.

But it has not appeared. "Who will put the curve in the J?" asked the National Australia Bank. "Where is the J-curve? We can't wait forever," said Simon Crean, leader of the trade unions.

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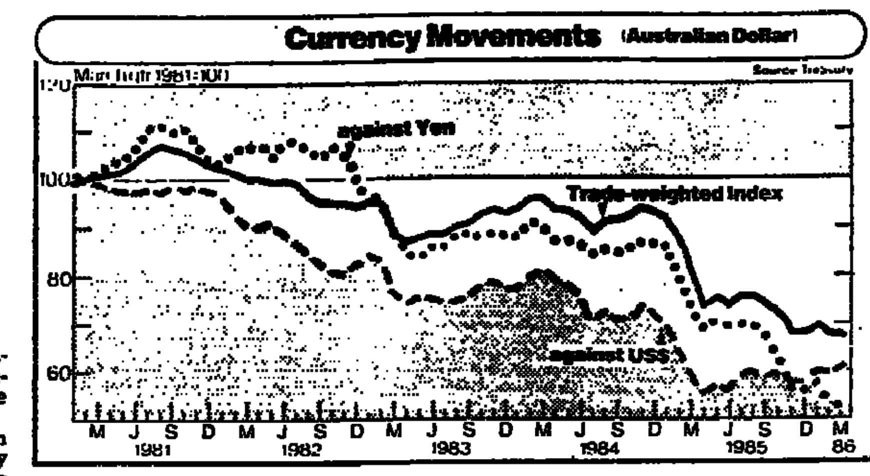
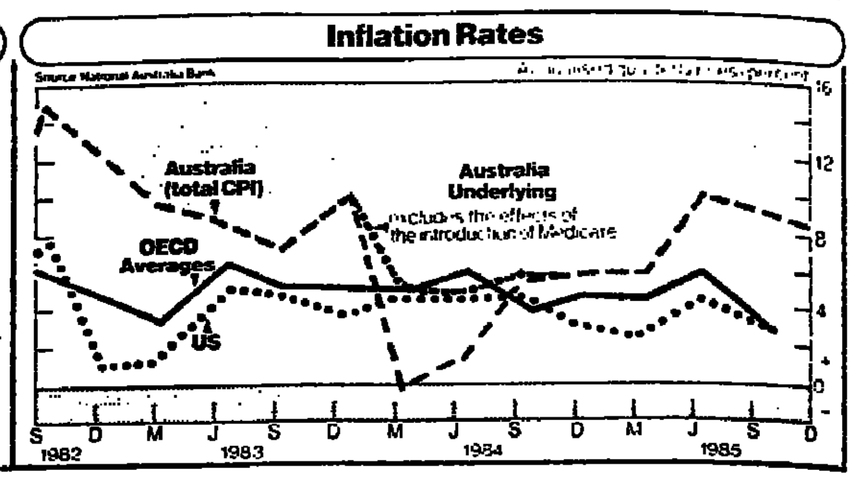
Robin Pauley





Rough water ahead

CONTINUED FROM PAGE 1

Whatever happens, Mr Hawke has clearly managed to re-establish Labor's capability as a government after the ill-discipline of Mr Whitlam's 1972-75 period in office. Mr Hawke is now one of Labor's longest-serving Prime Ministers. If he has lost some of his colour, and shown himself to be slippery, it is no more than happens to most politicians in office—and his mid-term popularity remains immense.

The possible fall of Mr Hawke would in any case not mean a radical change. Indeed, this is part of Australia's strength as a democracy—electorates have regularly thrown out leaders who seem to have lost control of the economy or of their party.

The longer-term picture for Australia is less encouraging. Mr Howard, to the abuse of Labor, has gingerly but bravely talked of greater flexibility in the country's rigid and institutionalised wage-fixing system. For all its success in promoting industrial harmony over the past 82 years, the system will need to take greater account of broad economic realities if Australia's constricting dependence on the outside world is to be relieved.

In the past this dependence has not been critical. In furnishing wheat, wool, coal or iron ore to industrial countries in exchange for manufactured or semi-manufactured goods, Australia has successfully achieved a developed country's standard of living from a developing country's economic base.

The lesson that this process cannot be sustained is now slowly being learned, having been delayed over the past two decades by the emergence of Australia's modern "resource boom." Events, and Mr Hawke's government, are teaching a fresh lesson—that Australia must take a more realistic and hard-nosed view of the outside world. Such has been the impact of the farm policies of the European Community and the US.

That means trying to market goods more aggressively abroad, and perhaps taking more immigrants in to boost markets at home. It means looking less to "great protectors" in Britain or the US and cultivating closer relations with Asian neighbours. And it means a collective psychological change of attitude by Australians about themselves. That is what the bicentennial in 1988 will really be about.

Pay Accord

Discord sets in

THE GOVERNMENT and trade unions of Australia have been playing ball with each other for three years in the hope of kicking the economy into shape. The Government now appears to be about to move the goal posts unilaterally and the unions are threatening to walk off.

When Mr Bob Hawke's Labor Government was elected in 1983 an agreement was set up with his old power base, the Australian Council of Trades Unions, to try to keep government and unions in harness.

The accord was a straightforward incomes policy. Its cornerstone was a guarantee of indexation of wages for movements in the consumer price index in return for an agreement not to seek rises in real incomes.

A key element of the accord was acceptance by the unions that Australia's inflation rate would have to fall substantially if the country was to become competitive. The ACTU agreed, therefore, to defer claims for productivity-based wage claims for two years. The Arbitration Commission would hear such claims dating from 1983, therefore, in 1985.

The accord ran for two years and in three of the four half-yearly periods wages were raised in line with price rises.

Treasurer Paul Keating: economic signals flashing amber or glaring red

The unions agreed to forgo one half-yearly indexation because the introduction of Medicare public health insurance offset other price movements. This was hailed as an important demonstration of the unions' willingness to accept improvements to the social wage as an alternative to cash wage rises. Although there was some wage drift through the accord period, the rate of increase in wages fell substantially.

The accord was a success in moderating wage rises between 1983 and 1985, although Australia's position in terms of unit labour costs, productivity gains and competitiveness did not improve greatly compared with its main trading partners.

Nevertheless, the rate of increase in inflation peaked and then dropped by six percentage points over the life of the accord and employment rose by 340,000. Part of the inflation gain has been lost by the rapid depreciation of the Australian dollar during 1985 and one of the main economic constraints is that inflation is back to about 9 per cent, double the OECD average and substantially higher than most competitor nations.

Profile of Simon Crean appears on Page 7

In September 1985 Accord Mark Two was signed to further the co-operation between unions and Governments, the employers again opting out and remaining on the sidelines.

Again, Accord Two indicated an awareness among unions of the country's economic difficulties coupled with the new danger of a sharply overheating economy fuelled by devaluation and a surge in imports.

The accord continued the principle of indexation against prices, except that from September 1985 to March 1986 two percentage points of the indexation were discounted to help to offset the impact of the dollar depreciation. The productivity claim, due to be heard in 1985, was deferred for a further year to July 1986 and it was agreed that it would not be tabled as a claim of 4 per cent rise in money wages but as a superannuation pension scheme to cost initially 3 per cent of the wage bill.

The accords have been a central plank of the Government's economic strategy vigorously promoted by Mr Paul Keating, the Treasurer. They were essential if he was to be able to deliver the so-called Trilogy—three fiscal pledges made in the 1984 general election.

These were

- No increase in taxation revenue as a proportion of GDP in 1985-86 and over the life of this parliament.
- No increase in government expenditure as a proportion of GDP in 1985-86 and over the life of this parliament.
- Reduction of the Budget deficit in money terms in 1985-86 and as a proportion of GDP over the life of this parliament.

At the same time Mr Keating, like most finance ministers, was nursing ambitious plans for tax reform. His high hopes of radical change were dashed at last summer's tax summit when union and employer opposition combined to block his plan for a broadly based expenditure tax. Several other tax changes including a fringe benefits tax and a cut in income tax rates in September 1986 and July 1987 did get through, however.

The problem for Mr Keating is that the deferred pledges of the accords are due to be delivered soon. He also has to present a Budget to parliament in August. All of the economic signals are flashing amber or glaring red, particularly the worsening balance of payments, terms of trade and exernal debt.

At his business-union economic summit this month he wants to delay further the proposals. If the superannuation deal based on the productivity claim due to be heard next month can be delayed further, it will help inflation and keep costs down for all employers

If the income tax cuts can be delayed for just a short time the Budget arithmetic will look better—a three-month delay would save the Treasury about A$600m. And if these saving are additional to the total of A£1.4bn public expenditure cuts he wants out of the 1986-87 government departmental budgets he will have made great strides towards keeping his fiscal strategy on course.

But more importantly he will have short-circuited the pay and prices accord in a way which will enable him to redraw and tighten overall economic policy in the way he thinks necessary to meet the external payments problem.

Businessmen will support him, mainly because they are desperate to avoid the burden of the superannuation scheme which many have claimed may grow like Topsy once in place.

But Mr Keating is already deeply unpopular with his own party members, who detect ever fewer socialist and social values in his approach, and he has to face the Australian Labor Party conference next month. Most critically, however, the powerful and rigidly organised unions, backed with enormous funds, can destroy the economic strategy and industrial stability

Unions have warned of unrest if either the superannuation scheme or the tax cuts are delayed, and Mr Simon Crean, president of the ACTU, said the accord "is not negotiable."

His case that the effects of devaluation have not been ploughed back into wages and wage demands is powerful. There has been only one pay rise in 14 months and it was 3.8 per cent compared with a 9.2 per cent jump in prices

Nevertheless, the calling of the summit indicates the end of the second accord. It is not clear that an accord Mark Three will emerge from the summit. If it does not, there could be a race between the Government and the economy as to which crashes first.

Robin Pauley

Banking

Gearing up to competition

THE AUSTRALIAN banking sector, once highly regulated and concentrated, has changed beyond recognition with most restraints lifted and the market opened to competition from newly-licensed foreign banks and aggressive non-bank retail institutions.

With all but one of the 16 foreign banks now open, the Bank of China reclaiming its former branch status and two local groups transformed—one from a merchant bank and another from a building society—to bank status in the past 15 months Australia is heavily banked.

Already there were four nationally operating full service trading/savings banks, five state limited banks, two foreign branch banks and four specialist government banks, while the transformation of the banking scene has also been matched by the issuing of merchant banking authorities to an additional 50 groups previously unrepresented in Australia or acting solely through representative offices.

But there remain questions as to how competitive the 16 new foreign banks will be with Professor Tom Valentine, head of the Centre for Money, Banking and Finance at Macquarie University believing the market to be too small for all the banks to be successful.

"I think three or four will make it and are around by year 2000." Mr Rob Ferguson head of the Bankers Trust Australia, a highly successful merchant bank now a licensed bank, also believes that in five years there will be some "sorry tales" from among his competitors.

"It won't be so much people going out of business but rather they just won't be making it," with losers becoming dormant.

The threat posed by the new banks also has been put in perspective by a recent study from stockbroker A. C. Goode and Co which noted that based on fresh capital for the new banks of A$1bn plus an additional A$600m already employed in the merchant bank and finance company offshoots of the new banks.

The restrictive gearing ratio imposed as an initial measure by the Reserve Bank of 15.3 times (compared with 20 times for existing banks) meant their asset base could rise to around A$20bn.

While that is around 16 per cent of the current banking sector total, it is not expected that the banks will reach that proportion of the market for four to five years, when the total banking market will have doubled should the average 15 per cent growth rate of the past five years be maintained.

A survey of the three major stock exchange listed private banks—ANZ, National and Westpac—by Wall Street securities firm, Salomon Brothers, earlier this year pointed to the strong profitability of the local banks, a factor which underlines the attractions of the market to the new participants and the likely pressure on domestic profitability for the existing operators as the monopoly element in their earnings is dissipated through increased competition.

Ranked against Salomon's own US money centre bank averages, the local banks scored a handsome advantage, with the return on average earnings assets varying from 1.02 per cent to 1.19 per cent for the September, 1985, year compared with the 0.78 per cent US average.

Return on equity at between 16.7 per cent to 18.2 per cent compared with the US average of 13.9 per cent, while on asset quality measures—bad debt charges at between 0.19 per cent to 0.26 per cent of average loans compared with 0.68 per cent on the US average loan loss provisions of 1.01 per cent to 2.41 per cent against an average 1.45 per cent—the Australian banks also measured up well.

Capital adequacy tests also showed the banks with equity and loan loss reserves at between 6.1 per cent and 7.4 per cent of total assets compared with a 5.9 per cent money centre average. The survey also noted that while traditionally the scene had been dominated by a concentration of a few well-capitalised and conservative banks the sector faced an unprecented level of competition through the process of domestic and international deregulation.

This pointed to the need for the four majors—including the government-owned Commonwealth—would have to "adapt their delivery systems, culture products and human resources to an international standard to protect—and possibly improve—their lucrative domestic franchises."

The local banks are well aware of this challenge and through the merger phase in 1981-82 and through aggressive seeking after market share from other members of the financial community the general domestic thrust has been to spread overheads through scale of market share—either in road market terms in Westpac's case or concentration for the ANZ on the corporate market.

This has been matched by a drive to alter and reduce delivery and transaction methods and costs through automation of clerical functions, combined with a drive to eliminate paper-based transactions through the installation of a wide network of automated teller machines and development in-bank electronics for customer use and electronic funds transfer at point of sale (Eftpos) systems.

In this area the banks and others in the financial community are slowly moving to a more co-operative approach, in part induced by the linkage of some of the new operators to both existing bank networks and those established by the building society and credit union networks.

However, full integration of the various plastic/electronic networks remains a point of argument within the banking sector and without, with the banks generally pushing for a gateway approach to Eftpos which would see all transactions shunted through the banks against an open network which the bank see as potentially weakening the integrity of the banking system.

The technology approach is an initially high cost one requiring a high level of volume before it effectively breaks through to a cheaper operation, but one which must be pursued if overheads are to be reduced to match the generally tight and slim new operators.

Indeed, the Salomon's review shows that in this area the local banks are relatively flabby, with non-interest costs varying from 3.79 per cent to 4.56 per cent of average earning assets compared with 3.2 per cent for the US money centre banks.

This reflects the greater concentration on branch banking—unlike the US money centre banks—which provides both an advantage and a penalty. The advantage comes from having a street presence in 1,200 to 1,500 locations, with the penalty from the imputed cost of running that network, particularly when the non-interest bearing portion of each bank's deposit base is reducing rapidly through increasing sophistication of customers and the proliferation of competing investment and banking avenues.

The banks have moved to increase the volume and variety of business offered through the branches and to redirect previously clerical staff to its business generating and service roles.

They have shifted into stockbroking; increased the emphasis on unit trust style property and equity investment vehicles, moved into life insurance and made wider offerings of general insurance products through existing insurance companies linked with their finance company offshoots.

In part, the response is to generate non-balance sheet income and to gain overall financial market share less through balance sheet measures than through broader involvement by the banks in overall financial transaction volume.

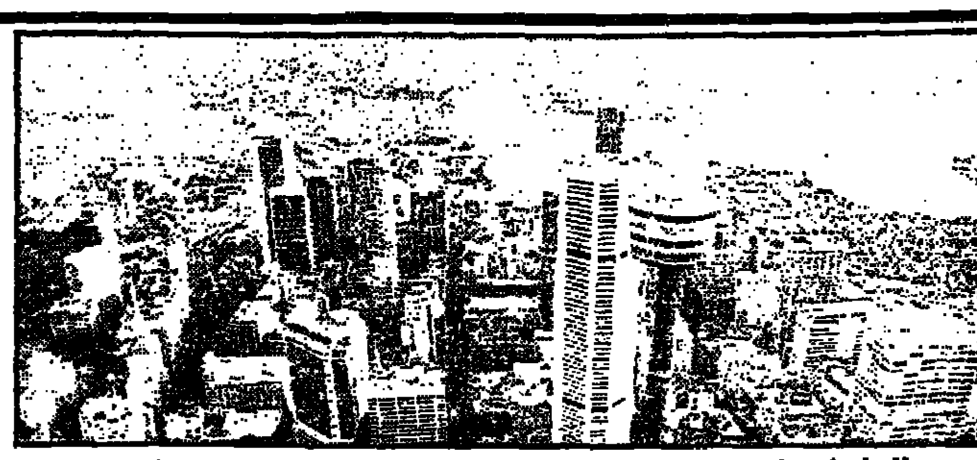
Meanwhile, the 1984 move by the ANZ to take over Grindlays and its international network of operations and the more recent decision by Westpac to buy the rump of the Johnson Matthey gold banking and trading operations reflect the international thread to the Australian banks' response to increased local competition.

Counting the ANZ and Westpac's extensive domestic interests in New Zealand as foreign the ANZ draws on the local Australian market for an estimated 45 per cent of its group balance sheet compared with 55 per cent for Westpac and about 78 per cent for the National. The National has yet to make the international acquisition plunge, but it is on the look out for a quality purchase at around one third its size. The National group's total assets are some A$35bn, with the main bank having assets of A$25bn.

Each though has significantly increased the scale of its international business. Westpac has some A$6bn of offshore business—excluding New Zealand and Papua New Guinea—a sixfold increase in recent years and representing close to one quarter of its trading bank assets, the National has doubled the share of foreign business on its books since the 1970s to some 22 per cent.

Of the ANZ's offshore assets Grindlays accounts for around half—some A$9bn—with New Zealand at some A$3bn and the remaining A$6bn spread through London, the US and Asia. With the total domestic financial market about the same size as Citibank's balance sheet and under assault from external forces the local banks have taken the obvious cue to move to a wider stage for the bulk of future assets and earnings growth.

Lachlan Drummond



Sydney's financial centre: local banks are aware of international challenge

Trading floor of the Sydney Stock Exchange: Keating warning underlines need for selectivity

Stock Market

Takeover fights boost prices

THE AUSTRALIAN stock market has rewarded the selective optimist with its 20 per cent increase so far this year, but with the Treasurer Paul Keating's "banana republic" comments ringing in its ears has lost some of its steam.

The gloomy economic realism of the Federal Treasurer, although echoing much of the underlying sentiment for the market, managed to nip 4 per cent from the top of the market and leaves investors more closely focusing on sectors and companies that have the capacity to prosper in the uncertain stretch of economic reconstruction that faces the country.

The need for selectivity is underlined by the highly patchy performance of the market so far this year, with a large impetus for the 20 per cent rise for the overall market indicator, the all-ordinaries index, coming from one-off situations.

The continued battle for control of the largest company, Broken Hill Proprietary Co, has contributed to the upward surge and has also provided its own record setting trading patterns, with the Elders IXL raid worth A$1.7bn concluded in two days.

Likewise, the post-Wapping benefits to be drawn by Mr Rupert Murdoch's News Corporation has seen the value of its shares almost treble from around A$9 to close to A$25, catapulting the company to an oscillating battle with mining heavyweight CRA and leading bank Westpac for the number two position on market capitalisation, a bout News will eventually clearly win.

This rise has produced a 63 per cent growth for the media industry this year, which has also seen above average gains racked up by the banking sector—25 per cent up and down from its best—the retail sector—up 27 per cent, and the diversified index—mainly the aggressive takeover operators—scoring a 41 per cent increase.

The latter increase suggests from where much of the fuel for the market has come, as alongside BHP the leading glass and building products group ACI has come under takeover assault while rumours and provocative shareholdings have played their part in boosting share prices of a range of other mature industrial companies with open share registers.

A large slice of that increase has been delivered by the shadowy group of "friends" which emerges at times of takeover or speculation and which has seen Australia's leading establishment companies emerging as shareholders in their embattled brethren.

The activities of the defenders have become as aggressive as the raiders and indeed there are steps afoot for investigations to determine whether there is a co-ordinated effort to deny the opportunity for takeovers for Australia's corporate heavyweights.

While takeover speculation and a targeting of local companies with solid balance sheets and increasing exposure to international markets has added value to industrial shares—up 31 per cent overall—the resource boards have generally looked sick.

The oil and gas sector is down 25 per cent for obvious reasons, while the metals and minerals side has edged up 2 per cent against a backdrop of unexciting metals prices and a firming of the Australian dollar against the US dollar in which most of Australia's minerals exports are based.

While the market place has been rolling, the framework for the market is also due for change, both through further integration of the six stock exchanges, the introduction computerised trading, a centralised settlement system and the prospect of 100 per cent ownership of brokers by non-members.

Lachlan Drummond

Politics

Mud-slinging on a grand scale

FOR ALMOST two weeks last month, Australia's political establishment was convulsed by a breathtaking series of events focusing on the future of one of the country's top judges. Abroad the episode scarcely rated a mention. But at home it dominated public life, and everyone agreed it graphically illustrated the true flavour of Australian politics.

At the centre of the affair was Justice Lionel Murphy, a left-leaning Attorney General in the Whitlam Labor Government who was elevated to the High Court, the country's top bench, in 1975. Last month's events began when he was finally acquitted by the New South Wales Supreme Court of attempting to pervert the course of justice. But their origins go back much further.

According to Mr Murphy, the whole case is politically motivated. True or not, he is alleged to have tried, as far back as 1979, to influence a senior magistrate in a case involving his friend Mr Morgan Ryan, a Sydney solicitor. The allegation might not have surfaced had newspapers not revealed, in late 1983 and early 1984, details of illegally taped conversations between Mr Murphy and Mr Ryan which convinced the magistrate, Mr Clarrie Briese, that there had been a conspiracy to pervert justice.

Thus began Mr Murphy's fight. A committee of the Senate, or upper house, looked into the matter and finished split on party lines. In October 1984 a majority of a second Senate inquiry found Mr Murphy had misbehaved, and the public prosecution laid two charges against him.

Mr Murphy went through a committal hearing and was ordered to stand trial in July 1985. After testifying under oath he was found guilty by a jury and sentenced to 18 months in jail. Mr Murphy appealed last November and won a retrial, chiefly because of the judge's directions to the jury.

In the new trial Mr Murphy made an unsworn statement which could not be cross-examined and, on April 28, secured his sensational acquittal. That lifted the curtain on a spectacular drama. Mr Murphy promptly condemned the whole affair as "political from the start," while Mr Neville Wran, the Labor premier of New South Wales, declared that Mr Briese, the magistrate, did not have his confidence.

It quickly became clear that the future of Mr Murphy was far from settled. Within days it emerged that the public prosecutor had previously rejected advice to prosecute Mr Murphy on other charges. At the same time, a Royal Commission on the police tape-recordings confirmed they were authentic and submitted a confidential report to the Government and Opposition leaderships which plainly fuelled concern.

In a flurry of events, Mr Bob Hawke, the Prime Minister, met the Governor General, Sir Ninian Stephen, and the Chief Justice, Sir Harry Gibbs, but distanced himself by refusing all comment. Mr John Howard, the opposition Liberal Party leader, demanded Mr Murphy's resignation from the High Court and, failing that, a parliamentary inquiry to seek his removal under the constitution on the grounds of "proved misbehaviour."

As each leader accused the other of bringing the judiciary into disrepute, Mr Murphy's colleagues in the High Court let it be known they were unhappy with his planned return to the Bench. But he was resolutely standing his ground, and a real crisis was in the offing.

Under pressure, Mr Hawke backed a plan under which the High Court judges would consider written reponses by Mr Murphy to the allegations against him. But the plan backfired when the Court realised it could not become involved in so obviously political a matter.

John Howard, opposition Liberal Party leader, who has been seen to miss no opportunity in pressing home his case in the affair concerning Judge Lionel Murphy. Mr Howard has proved to be quick-witted but somewhat lacking in charisma

Forced to reverse position, Mr Hawke ordered the parliamentary inquiry sought by the opposition. Three retired judges were expected to review Mr Murphy's conduct with the aim of advising parliament whether it constituted "proved misbehaviour." Mr Murphy was expected to challenge any unfavourable result, and Mr Hawke therefore faces another time-bomb—the last thing he wants in an affair already 2½ years old.

Indeed, the affair poses something of a threat to the survival of the Hawke Government. Mr Murphy, a man of rare energy and resolve, is like a folk hero to his supporters on Labor's left. A verdict from the inquiry that he should go could wreak havoc on Labor's fragile unity.

Even if matters don't reach this stage, the affair has already demonstrated the vituperative quality of domestic politics. Throughout the episode last month, mud was slung on a grander scale than ever. Government and opposition heaped abuse on each other, and the media gleefully inflamed matters further.

Mr Howard was shown to miss no opportunity to press home his case, appearing before ever-ready television cameras several times a day. Mr Hawke, worrying as much about discontent within his party as the advantage sought by the opposition, was shown to have delayed action which ultimately became inevitable.

No one escaped unscathed, but where right lay was anyone's guess. Mr Murphy's supporters said his attackers had pursued him ever since he was elevated to the High Court and shared all the faults attributed to Mr Murphy. Mr Murphy's critics said he had been pursued for good reason.

If both are correct the affair speaks volumes about standards in Australian public life. If not, it still exposed the problems of politicians becoming judges — and judges politicians. The affair also went a long way to show how the central political issue in Australia — namely the management of the economy — can be buried under an avalanche of less prosaic political controversy.

According to senior Liberal party officials, it will ultimately be the tax issue which decides the future of the Hawke Government. Certainly if Labor cannot deliver on its tax and spending commitments this year its agreement with the trade unions curbing wage and income increases, which has been central to the Government's successful management of the economy, could fall apart.

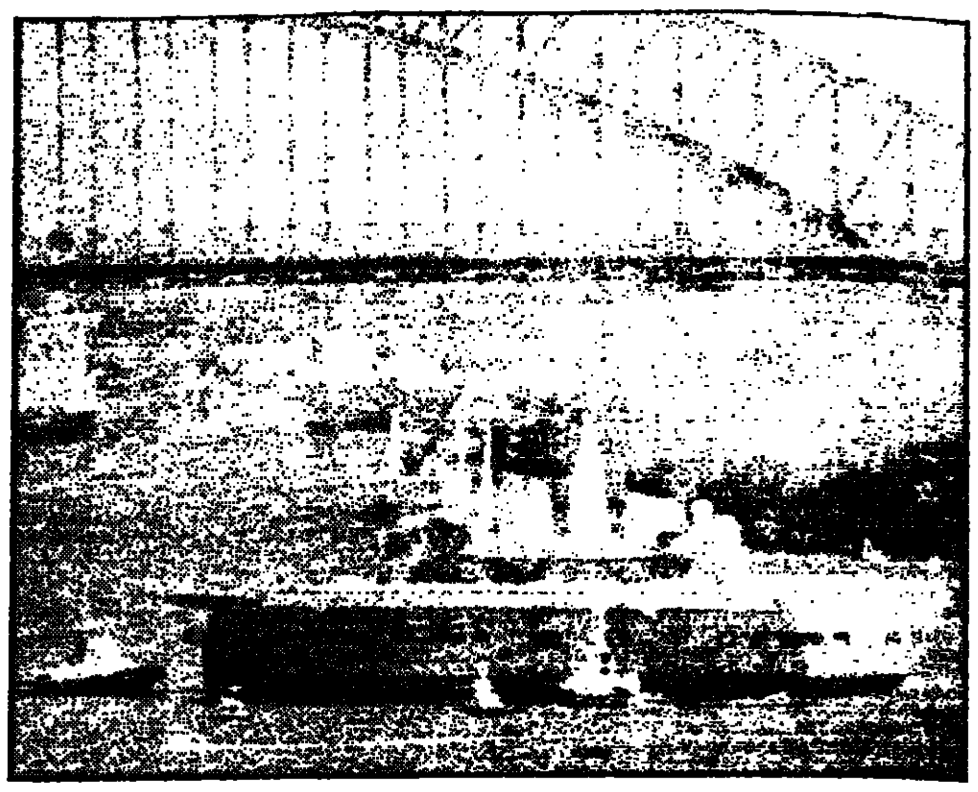
The most important test will come in August, when Mr Paul Keating, the Treasurer, delivers his budget for 1986-87. It is well known that the Government has been going through terrible trouble looking for expenditure cuts in order to contain the budget deficit. Without these, its promised tax cuts will look far more difficult.

In the meantime the public opinion polls make interesting reading. A Morgan Gallup poll last month showed a reversal of government and opposition fortunes, with support for the Liberal-National coalition climbing to 46 per cent and Labor's sliding to 45 per cent. In the 1984 election the figures were 47.6 per cent to 45 per cent in Labor's favour, with another 5.4 per cent going to the Australian Democrats.

This significant turn-round for the opposition was not matched in ratings about the party leaders. Mr Howard, leader for only nine months, is said to lack charisma and won only a 29 per cent approval rating in the same poll. Mr Hawke, whose down-to-earth style is difficult to match, secured 57 per cent, and of the two remained the preferred prime minister by a wide margin.

This could change. Mr Hawke can trip up, and Mr Howard is quick-witted and articulate enough to exploit a setback. The next election is due by the beginning of 1988, when the country is to celebrate its 200th anniversary in fine style. The opposition is already focusing on 21 marginal seats in its bid to regain power, but the popular judgment last month was that Mr Hawke could not lose.

Chris Sherwell



HMS Invincible in Sydney Harbour. The decision by the UK to keep it after the Falklands operations saved Canberra unnecessary capital and operational expense

Defence

Along a delicate path

A SENSE of anticipation was growing within Australia's tiny coterie of defence analysts last month. Service chiefs, Defence Department officials and academic researchers were eagerly awaiting reaction to publication of the long-awaited Dibb report, expected around the end of May.

Written by Mr Paul Dibb, a former intelligence official and now a widely respected researcher at Australian National University's Strategic and Defence Studies Centre, the report is a major review of Australia's defence capabilities ordered last year by Mr Kim Beazley, Minister of Defence.

The terms of reference were wide. As described by the Defence Department, Mr Dibb was to examine the content, priorities and rationale of defence forward planning and to advise the Australian Government on which capabilities were appropriate for the country's present and future defence requirements.

This meant a review of all the armed forces' equipment, facilities and activities, and of Australia's plans to deal with various levels of threats. The report is clearly aimed at gathering public opinion behind a change of direction in official Australian defence thinking which has already occurred—away from past principles of "forward defence" and dependence on a "great protector," and in favour of greater self-reliance and the defence of Australia.

To outsiders it is surprising that this was not done decades ago. But it was only in the 1970s that Australia felt itself obliged to think about such matters, and even now many people remain unconverted.

For most of the country's history Australians have calculated that they are defenceless and need the protection of powerful friends against outside threats. The bloody price has been paid fighting with the British and the Americans—against the Maoris and the Boers, in the Boxer rebellion and in two Warld Wars, and in Malaysia, Korea and Vietnam.

It was Chuchill's Europe-first strategy and the fall of Singapore in 1942 which caused Australians to look away from Britain and towards the US for protection. The Anzus Treaty of 1951, linking the US, Australia and New Zealand, became the cornerstone of Australian defence and it remains so.

Australians were nevertheless forced to re-assess the Washington relationship after the US defeat in Vietnam and, in particular, President Nixon's 1970 announcement in Guam. Henceforth, Mr Nixon had said, countries like Australia and New Zealand would be expected to defend themselves in regional conflicts.

It is one of the ironies of he US relationship that Washington has meanwhile become heavily dependent on three joint facilities in Australia—at Pine Gap, Nurrungar and the North West Cape—as part of its global nuclear strategy. Though the presence of these "bases" is strongly opposed by the Left and by peace activists, successive Australian governments have argued that they contribute to nuclear stability.

As for the "Guam doctrine," this has slowly but surely generated fresh principles of defence policy. These can be summed up simply as the need for a self-reliant capability, the necessity for the best possible relations with the country's neighbours, and a requirement that the US connection through Anzus be maintained.

The problems posed by New Zealand in Anzus are an awkward complication for this evolution. US anger at the Wellington Government's refusal to allow nuclear-powered or nuclear-armed ships into New Zealand ports has effectively removed one arm of the alliance, leaving Canberra to tread a delicate and perhaps impossible path between the two without alienating either.

The occasional difficulties Australia has maintaining amicalbe relations with its neighbours were exposed last month in the wake of a Sydney newspaper's publication of an article criticising the wealth allegedly amassed by President Suharto's family and associates in Indonesia. Jakarta reacted bitterly, provoking Canberra into its own sharp responses, and a recently-improved relationship suffered a bad knock.

Against this, Australia retains good relations with Singapore and Malaysia. All three are partners with Britain and New Zealand in the Five Power Defence Arrangement which operates an integrated air defence system over Malaysia and Singapore. Australia's closest defence relations are with Papua New Guinea, its former colony immediately to the north and contiguous with Indonesia.

However, it is the shift to self-reliance which is moving to the centre of Australia's defence policy debate. For the defence forces the change has already meant some painful restructuring, simply because they had been geared to fighting other people's wars far away.

On the other hand there was undoubted relief that Australia did not end up actually buying the British aircraft carrier Invincible as originally agreed. The UK's decision to keep it after the Falklands War saved Canberra unnecessary capital and operational expense.

Other equipment purchases are under way, based on a clear line of analysis reflecting its new principles. According to this, Australia should have excellent intelligence in the region, good surveillance capabilities and a capacity to react against almost any conceivable threat.

What that threat might be is difficult for most ordinary Australians to conceive. After all, the country lies in one of the most benign environments in the world. No country other than a superpower has the capacity to invade, and the chances of this are extremely remote, especially given the Anzus pact.

Defence analysts estimate several years' warning of any other country wanting to launch even a limited attack. But it is also clear that Australia, with its 12,000 miles of coastline, vast spaces and small population, is highly vulnerable to low-level threats—infringements of air-space or maritime zones, for example, or even brief force landings in remote spots.

The Dibb report, among other things, will spell out how the country should handle this wide range of contingencies. But as its purchases and activities show, Australia has already moved ahead in implementing its plans.

Several airbases are built or under construction in the north and north-west of the country. It is purchasing 75 McDonnell-Douglas F/A-18 combat aircraft to replace its ageing Mirages, and last month decided to buy 14 Sikorsky Blackhawk helicopters, the first of up to 100 for the army to transport its soldiers for dispersed operations.

On the surveillance front, Australia has bought Lockheed P3C Orion aircraft for maritime patrols and is close to operating an inexpensive over-the-horizon radar system with a range of 2,500km which can track both aircraft and ships. Airborne early warning systems are under consideration, and Australia is engaged on research with the US on a space-based system for tracking aircraft.

Beyond this Australia is replacing its six Oberon-class submarines which, with its F-111 bomber aircraft and armoured tanks, are intended to provide the core of Australia's capacity to react quickly to any threat. If none of this is cheap—Australia spent almost A$6bn, about 2.9 per cent of its gross domestic product, on defence in 1984-85—all surveys show the conservative Australian public broadly supports it. After the Dibb report, their reasons for doing so will be much clearer.—

Chris Sherwell

BALANCE OF PAYMENTS

Financial year to June 30	Exports $m	Imports $m	Trade balance $m	Current account $m	Net private capital inflow $m	Net government capital inflow $m	BOP $m
1972	4,719	− 3,791	928	− 343	1,905	−83	1,009
1973	5,991	− 3,808	2,183	715	422	−60	1,006
1974	6,709	− 5,754	956	− 909	432	53	− 425
1975	8,442	− 7,652	790	− 1,219	779	−18	− 458
1976	9,446	− 7,922	1,524	− 1,404	430	−45	−1,009
1977	11,446	−10,350	1,096	− 2,432	1,700	242	− 491
1978	12,006	−11,150	856	− 3,043	998	1,505	− 540
1979	14,072	−13,386	685	− 3,676	2,190	1,962	− 114
1980	18,589	−15,829	2,760	− 2,003	1,737	−35	− 301
1981	18,718	−19,169	− 451	− 5,456	−6,653	−48	1,149
1982	19,083	−22,379	−3,296	− 8,813	9,705	463	1,304
1983	20,656	−21,610	− 954	− 6,185	7,808	813	2,416
1984	23,720	−23,494	223	− 6,711	8,137	424	1,850
1985	29,531	30,131	− 600	−10,165	4,759	1,809	−1,597
1986*	27,156	30,070	−2,914	−12,072	7,821	2,825	−1,426

* First nine months.

Source: ABS.

Trade

Prices take a tumble

"THE WORLD has given us a swift kick in the pants by dropping the prices of things we normally sell, so that real prices of our export commodities are now the worst since the depression." Such a glum statement was uncharacteristic of Australia's Federal Treasurer. The hitherto smug Mr. Paul Keating, whose public statements had usually been dominated by rhetoric on economic recovery.

But the huge current account deficit incurred last April, A$1.47bn, has forced Mr. Keating to come down to earth and to admit publicly for the first time, that Australia must now contend with a serious trade problem.

The external deficit was blamed on the A$509m trade deficit in April, the highest since October last year. Total current account shortfall for the first ten months of 1985-86 reached A$12.1bn, threatening to blow out the Government's projection of about A$9bn for the whole year.

This has renewed pressure on the Government to redefine its international trading strategy which, during the past three years, had aimed at improving and promoting non-traditional manufactured exports to the Asian neighbours. But such a strategy has proved to be easier said than done. The Government's advisory body, the Economic Planning Advisory Council (EPAC), is now calling for certain refinements in the same strategy.

A major thrust in this strategy is the push towards the regional neighbours, particularly South-East Asia. The dynamic growth in the North-East and South-East Asian economies had provided fertile ground for expanding trade. The share in total world imports of members of the Association of South-East Asian Nations (ASEAN) has increased from 2.2 per cent in 1962 to 4 per cent in 1984.

Indeed, Australia's trading pattern in the last three decades has changed direction towards Japan and East Asia from Britain, the US and other European countries. The share of Australia's exports going to Japan had risen from a mere 5 per cent in the 1950's to 28 per cent in the early 1980's. Those going to east Asia, which includes ASEAN, China, Taiwan, Hong Kong and South Korea, had increased from 6 per cent to 20 per cent during the same period.

However, the momentum of the regional push had stopped in the last three years. Despite the continuing rapid growth in the region's imports, Australia's share of the cake has progressively decreased.

One reason is that market expansion was due mainly to increased demand for manufactured goods which Australia could not supply competitively.

Despite its image as a developed country, Australia has missed out on the manufactured exports bandwagon. While the rest of the world's manufactured exports had increased from 48 per cent of total exports in 1980 to 52 per cent in 1984, Australia's had actually declined from 19 to 17 per cent during the same period.

This failure to capitalise on manufactures had resulted in the slide in Australia's ranking among the world's exporters from 12th in 1973 to 23rd in 1983.

In turn, failure to expand manufactured exports is blamed on the high protective walls that had encouraged import replacement rather than export-oriented secondary industries. The protective umbrella over the manufacturing sector was installed earlier this century and since then had provided disincentives to exports.

Measures such as tariffs and quotas had unnecessarily raised prices of inputs so that manufacturers found it more profitable to produce for the domestic market than to export.

For the engineering goods sector, for example, the Government's Industries Assistance Commission (IAC) found that exports accounted for only 5 per cent of all companies' turnover.

Despite the Government's avowed commitment to reduce protection, its assistance to the manufacturing sector has actually increased. An IAC study shows that the sector's average effective rate of assistance, which indicates the extent to which earnings are increased by assistance, rose slightly from 24 per cent in 1980-81 to 25 per cent in 1982-83. the increase was due to the rise in aid to the highly protected areas, such as the motor, textile, clothing and footwear industries.

Another reason for the erosion of Australia's niche in the Asian market is the attitude of Australian traders that Asia is still impenetrable.

Trade Minister John Dawkins said, "I believe a significant part of the problem is the lack of interestV'effort and enthusiasm on the part of the private sector to exploit trade opportunities available in the developing Asian Western Pacific regions."

One successful Asian venture is trade with China. Exports to China last year reached a record A$1.1bn, a 73 per cent rise over the previous year's figure. This year's first quarter figure is another record at A$360m, up 46 per cent on the same period last year.

The bulk of the exports to China are traditional commodities but the target now is to obtain more turnkey construction and consulting contracts.

Among the refinements now sought in existing strategies is the shift in direction of the offensive from south-east to north-east Asia, especially Japan, South Korea, Taiwan and Hong Kong. It is now recognised that in the medium-to long-term, Australia will have the same comparative advantage with south-east Asia, and that will be in agricultural and mineral products.

Greater complimentarities therefore exist with north-east Asia whose more affluent economies, dense population and limited natural resources provide better opportunities for Australia.

Targeting north-east Asian markets, whose future demands would be more of agricultural and industrial raw materials, would reduce the urgency of getting Australia's manufacturing act together quickly. But it would require greater efforts at making traditional exports even more competitive.

The problem for Australia is that the competitiveness of its traditional farm products will continue to be undermined by the flood of highly subsidised goods from the European Community.

EPAC has thus recommended that Australia enlist its neighbours' support in future multilateral negotiations within Gatt and collectively demand reductions in the EEC's and the US export subsidies. At the same time, regional and bilateral negotiations are urged to focus on preferential trading in products in which each country in the region has comparative advantage.

Apart from improving the competitiveness of traditional commodities for greater export to north-east Asia, EPAC also calls for renewed promotion of services and certain middle to high-technology products and processes. It argued that Australia has proved to be a competitive supplier of certain tradable services, such as consultancy and contracting services, agricultural and medical technologies and educational services.

Emilia Tagaza

DIRECTION OF TRADE

	EXPORTS 1978-82 %	EXPORTS 1983 %	EXPORTS 1984 %	IMPORTS 1978-82 %	IMPORTS 1983 %	IMPORTS 1984 %
Japan	28	28	26	18	22	22
Developing East Asia*	18	20	20	13	13	17
North America†	13	12	12	25	24	24
New Zealand and other Pacific	9	9	9	4	4	4
Pacific, total	68	69	67	60	63	67
United Kingdom	4	5	4	9	7	7
Other Europe‡	11	11	11	17	18	18
Other	17	15	18	14	12	8
World, total	100	100	100	100	100	100

* Developing East Asia is defined as ASEAN, the Republic of Korea, Taiwan, Hong Kong and the Peoples' Republic of China.

† North America is defined as the US and Canada.

‡ Other Europe is defined as the EEC (minus the UK), EFTA, Greece, Malta, Spain, Yugoslavia and Turkey.

Foreign Policy

Greater focus on North East Asia

ON THE NIGHT of April 22, a planeload of Australian tourists was barred from entering the Indonesian island of Bali. Some of them, garbed in their familiar shorts, singlet and thongs, were bewildered, unaware of what was going on.

While they were airborne, the Indonesian government had cancelled the visa-free travel rights of Australian tourists. It was one of the moves in Jakata's diplomatic offensive against Australia, precipitated by a lead story in the Sydney Morning Herald alleging the ill-gotten wealth of Indonesian President Suharto's family and friends.

Although the rights were restored the next day, the incident exposed the brittle state of relations between the two countries despite rhetoric on both sides that ties were getting stronger. The tiff had not only triggered a re-think of Australia's relations with its closest Asian neighbour but also raised questions about the government's diplomatic strategy in the region.

Apart from the visa incident, the Herald story also led to the cancellation of scheduled visit to Australia of Indonesia's technology minister, the review of the defence co-operation pact between the two countries, and the banning of Australian journalists from covering the recent meeting in Bali of foreign ministers of the Association of Southeast Asian Nations (ASEAN) which was attended by President Regan.

Australia had invested considerable effort and resources to cultivate close tieswith Asean. The Labor government of the former Prime Minister Gough Whitlam (1972-75) formalised relations with the bloc through regular ministerial consultations. He even entertained the idea of Australia becoming a member. Although the idea has been buried deep in the bin, Australia still attaches great importance to Asean, now mainly for economic reasons.

Austalia recognises that its growth prospects depend greatly on expansion of trade with the region. The closeness of the Asean countries, the size of their population and their dynamic economies underline Australia's long-term need for friendly links.

Indeed, during the 1970sAustralian exports were directed increasingly towards Asean and other east Asian countries, while imports were also "Asianised" at the expense of Britain, the U.S. and other European countries.

But apart from reasons of economic security, the desire to "belong" in the region also has emotional roots. Until the second World war, most Australians were Euro-centric, viewing Asia through British eyes since most information came through British channels.

But the war shook them as Mother England was unable to protect Australia and its other Pacific and South-East Asian possessions. From then on, Australia sought to eventually cut the cord with Britain, develop an independent foreign policy and gain acceptance amongst its neighbours.

Mr Bill Hayden, whose first overseas trips as Foreign Minister were to Asean countries, has been anxious to have Australia identified with the region. "We are part of a region emerging with enormous energy from post-colonialism, rivalling all the old traditional centres of economic power," He said.

In pursuit of acceptance, numerous initiatives had been taken, both in the political and economic areas. These include aligning with Asean's stand on the Kampuchean problem, the increase in technological, educational and cultural exchanges, and in bilateral aid, trade and investments.

Although the developing countries in the region have been happy to return Australia's initiatives with equally emotional rhetoric on the need for closer ties, there is still a general feeling that this developed "white" country has quite different interests and problems. The recent fracas with Indonesia over a news article illustrated that the social, cultural and economic gaps between Asian countries and Australia are too great for mutual trust to come easily.

Ashley Ashwood

Mr Bill Hayden, whose first trips overseas as Foreign Minister were to Asean countries

The Sydney Morning Herald affair had led Canberra to step back from its policy of actively cementing ties with Indonesia. Prime minister Bob Hawke said relations had been overstated.

"There has been a tendency in the past to believe that there is more that can be obtained from the relationship than can in fact occur," he said.

This attitude could eventually extend to other Asean countries, according to a growing number of politicians and influential academics. They argue that since Asean's importance at least in the last decade has been grounded on economic expectations from the relationship, economic expediency also now calls for a shift of efforts towards closer ties with countries of Northeast Asia.

Indeed the government's economic think tank, the Economic Advisory Planning Council, has said that in the medium to long-term future, Australia and Asean will have comparative advantage in the same areas minerals, metals and agriculture. This means there would be little room for trade expansion with Asean.

Stronger complimentarities exist with Northeast Asia, especially Japan, South Korea, Taiwan and Hong Kong, whose dense populations and limited natural resources provide fertile markets for Australia's rich resources in energy and minerals.

Even the strategic defence rationale for close Asean ties seems to be weakening. One of the cornerstones of Australia's defence strategy is that an armed threat could come from, or via its northern neighbours. After the war, the major sources of paranoia were military Japan and Communist China. But the two are no longer seen to pose security threats.

A recent defence policy review, expected to guide Australia's future strategies, was based on the belief that the country faces no armed threat in the foreseeable future.

In fact, the pursuit of closer ties with China and Japan has been in full swing. Trade offensives had been launched and Mr Hawke's recent trips to Tokyo and Peking are part of this.

Australian companies have jumped onto the bandwagon to China and their efforts have so far been well rewarded. Exports to China in 1984-85 reached a record A$1.1bn, 73 per cent above the previous year's figure. Most of the exports were raw commodities and Mr Hawke's Peking visit was partly an attempt to get a crack at the industrial machinery market.

Meanwhile, Japan is being wooed to support the fight against the European community's farm subsidies which had squeezed Australian exports, and the possible creation of an Asia-Pacific economic cooperation bloc akin to the EEC.

While the move towards greater focus on northeast Asia is gaining ground, relations with southeast Asia nevertheless will remain close. Geographical and political realities dictate that relations with neighbours be naturally friendly. And though Australian initiatives may not come in a barrage as they did before, defence cooperation pacts, bilateral aid, trade and cultural and educational exchanges will proceed as usual.

Emilia Tagaza

Industrial Restructuring

Protective walls come down slowly

SENATOR John Button, the diminutive Minister for Industry, Technology and Commerce, is among Australian cabinet members with the greatest number of detractors. In charge of re-designing the country's future industrial structure, he decides the fate of each industry, leaving in train a large number of enemies among employers, trade unions and even within his own Labor Party.

He envisages an outward-looking domestic industry, forced out of its lethargy by foreign competition. To achieve this, he is gradually and cautiously withdrawing the Government's protective embrace which had propped up Australian industry since the start of this century.

Protective barriers such as tariff and quotas had up to the 1960s nurtured and indeed expanded Australia's industrial base. At the turn of the century, they helped to develop labour-intensive industries to accommodate large numbers of miners displaced by the end of the gold rush. After the Second World War, protectionism helped to develop import-substituting industries in the face of foreign exchange shortages, and to meet rising domestic demand.

But protectionism had also killed Australians' competitive spirit and by the 1970s when the domestic market could no longer support industry's growth ambitions, manufacturers were ill-equipped to exploit overseas markets, much less to defend the local market from the onslaught of aggressive traders from newly industrialising countries in the region.

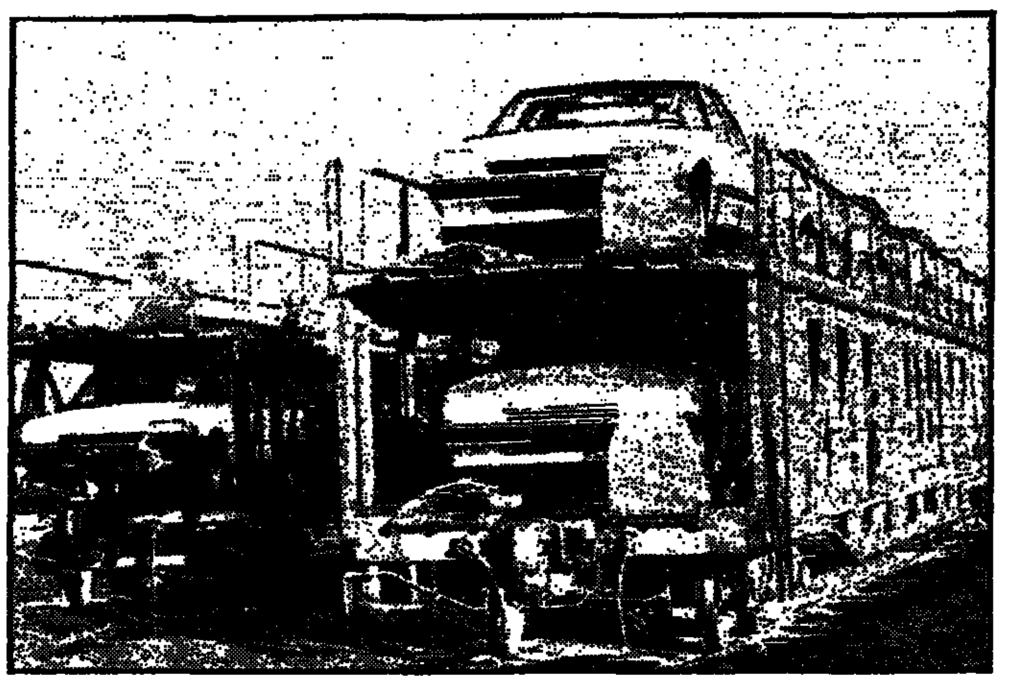
From a peak of almost 30 per cent of GDP in the late 1960s manufacturing has declined to 20 per cent of GDP in the late 1970s and to just 18 per cent in the early 1980s.

Senator Button has found that unlike the Government's so-far successful financial deregulation which was happily supported by the market players, deregulation of the industrial sector is a political minefield. Any attempt at reducing protection was noisily protested by companies, but more so by powerful trade unions who feared widespread job losses. Opinion polls have also shown strong support for protection, and until this attitude changes the Government will warily move against protection.

The Government's gingerliness shows up in statistics. Despite moves at reducing import quotas and tariffs, total assistance to industries had actually increased slightly. The effective rate of Government assistance — a measure of the extent to which industries' earnings are increased by assistance — increased from 23 per cent in 1977-78 to 25 per cent in 1982-83. This is due to the aid to highly protected sectors, namely the car, textile, clothing and footwear industries, whose assistance rates rose from an average 70 per cent to over 100 per cent.

But even not counting these highly favoured sectors, assistance to "freed-up" industries fell only slightly from 17 per cent in 1978-79 to 15 per cent in 1982-83.

Senator Button's modified tack in dismantling protection is designed to soften the stance of uncompromising employers and unions. His latest assistance package for the heavy engineering industry introduced last month illustrates this.


The car industry is one of the sectors protected by government aid. These cars are Ford Falcons and Telstars, on a train at the Ford works, Melbourne

Outright reduction of tariffs and quotas is no longer the front-line move. Instead, assistance is maintained or even increased, but industries' eligibility has been made conditional on an employer-union agreement in the removal of rigid labour practices and on skill upgrading and re-training.

The abolition of restrictive union terms are meant to take away the employers' excuse that union intransigence had prevented them from introducing new equipment, production and management techniques. On the other hand, retraining is meant to assuage fears that innovations would dislocate workers.

The heavy engineering programme allocates A$60m over three years for labour and management adjustments and for marketing assistance. An additional A$25m-30m is expected to be approved for plant and equipment upgrading.

It is hoped that when the programme is well on its way to improving the engineering sector, protective walls could be further dismantled with little resistance.

Australian industry is being *steered away from "one-off"* products which had dominated its output together with railway rolling stock and fabricated structural steel products such as joists and girders. One-off products are made to clients' specifications and have little in-house design content. They are mostly labour-intensive goods that competitors from South *Korea, Taiwan and Brazil* produce more cheaply.

This uncompetitiveness had resulted in the erosion of Australia's share of the machinery market in the Association of Southeast Asian Nations (ASEAN) from 2.2 per cent in 1970 to less than one per cent in 1980.

The preferred direction is now towards medium- to high-technology products, and engineering projects with high design content packaged for export. Australians are urged to shed their sub-contracting mentality when bidding for overseas projects and instead form consort and go for large projects as turnkey contractors.

There is so far one major accomplishment in this approach. A consortium led by Leighton Holdings and which also has British participation, *last year won a US$ 100m work* from the Kowloon-Canton railway corporation of Hong Kong for the development of 34km of tramrail network in the Northern territories.

The inflexibility of labour and management are not the only reasons for Australians' having been left behind in the industrial race. It has also lagged in *research and development* (R&D) and this again has been blamed on companies' tendency to rely more on the government's protection than on *innovation and risk-taking.*

In 1981-82, only 21 per cent of R&D expenditure came from private business compared with the OECD median of 92 per cent. An International Monetary Fund report *last year also* ranked Australia 18th out of 28 countries in industrial efficiency and 22nd in the use of labour-saving technology.

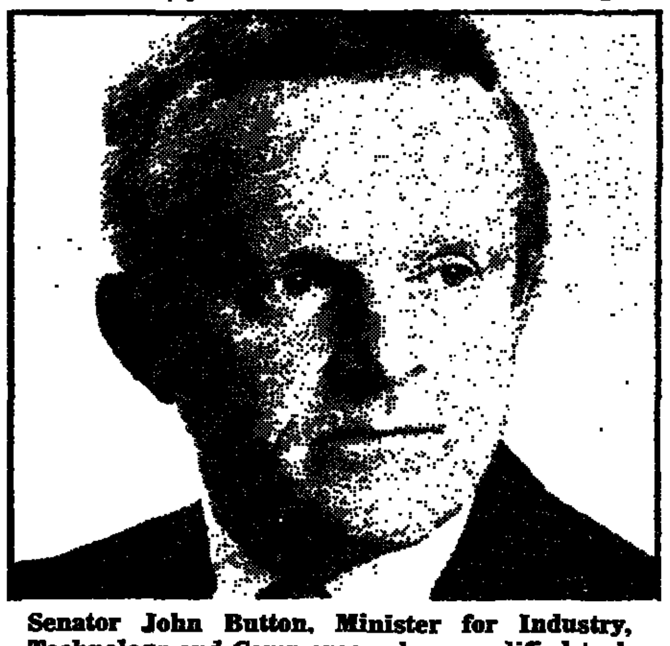
Rather belatedly, private R&D spending is being stepped up. The new scheme grants for industrial research and development (GIRD) will start next month and allocates A$12-13m in 1986-87 for new companies' high-technology projects.

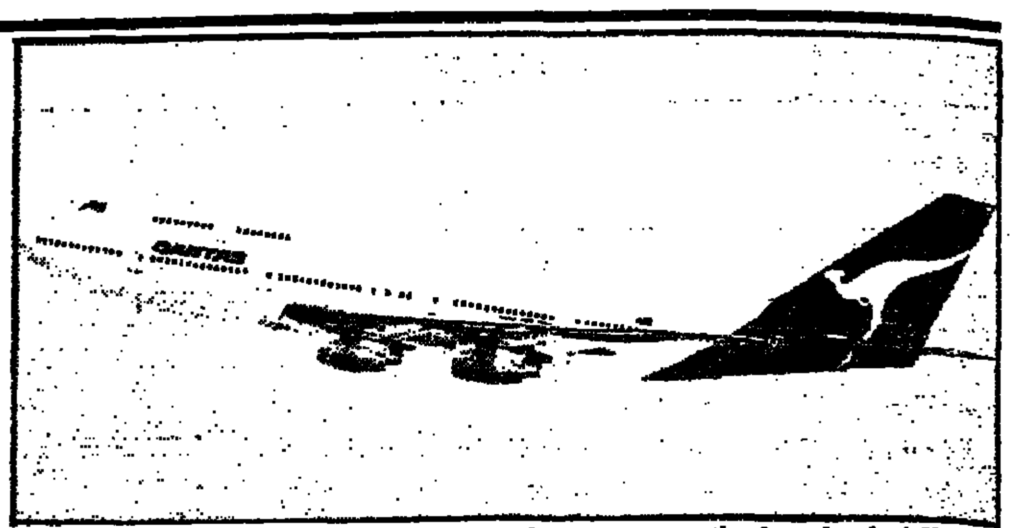
GIRD complements the earlier 150 per cent tax concession scheme for eligible R & D projects of established firms. The tax scheme budgets A$100m in 1986-87.

Another way in which Australia is trying to catch up with the West's advanced technology is through its industrial offsets policy, whereby foreign suppliers of all government contracts worth at least A$2.5m are required to pass back part of the contract related work to Australian industry.

Acceptable types of offsets are *the transfer of new technologies* to Australian industry, the local production of parts of the equipment on order and Australian participation in the design and development of the equipment. So far the biggest suppliers under the offsets policy are the US, Britain, West Germany, Japan and France.

Emilia Tagaza


Senator John Button, Minister for Industry, Technology and Commerce, whose modified tack in dismantling protection is designed to soften the stance of uncompromising employers and unions


Worldwide surveys in recent years put Qantas among the long-haul airline leaders

Qantas profit soars

Australia's inter-continental carrier has taken an aggressive stance of going for the world which is yielding rich reward, says Robin Pauley

AUSTRALIA'S FAMOUS flying kangaroo has lost its wings yet soars higher than ever. The symbol of Qantas has been redesigned as part of a major shift in marketing and corporate strategy which has seen the airline turning in strong profits at a time when other major intercontinental carriers are in financial crises.

It has not always been like this. Qantas had an inter national image as an Australian airline principally ferrying travel-hungry Australians around the world. Furthermore, it performed this national duty at a loss. In the four years to 1984, Qantas lost A$123m on airline operations.

But during these years the senior management was being gradually replaced and a new and aggressive policy of going for the world was formulated. The livery was smartened up, the fleet updated and marketing funds switched from the domestic population to foreigners, particularly businessmen.

In 1984 the losses were transformed into a A$58m pre-tax profit. This soared in 1985, artificially boosted by the proceeds *of selling six superseded Boeing* 747s, but after discounting this, profits were up to A$62m. These results show a better return on shareholder equity—the Government in the sole shareholder—than some of Australia's commercial giants such as Shell, BP, News Corp and Caltex.

Although the full results for *the year to March 1986 will not* be published until later this year it is clear that Qantas is still firmly in the black although not at last year's record level. The dollar's rapid devaluation has hit the airline hard adding 20 per cent to fuel costs, increasing the cost of servicing its foreign debt and reducing the number of Australian tourists carried *by making foreign* travel too expensive.

On the other hand, the drop in world oil prices helped towards the end of the financial year although this was offset by the cost of increasing staff and training in preparation for an expansion of flying now under way.

The people behind the Qantas renaissance are far removed from the public servants formerly in charge. Jim Leslie, the chairman, was coaxed out of retirement after a long and successful career with Mobil Oil. Next month John Menadue becomes his chief executive after an eclectic career embracing general manager at News Ltd, private secretary to Mr Gough Whitlam, former Prime Minister, special minister of state and trade and ambassador to Japan.

The deputy chief executive is John Ward who pursued an academic career in computer science and applied mathematics before joining the airline.

"Since the late 1970s and early 80s we have been trying to get on top. We have higher wage levels and higher labour unit costs than our major competitors. So we had to set out during the 1980s to become super-efficient and to have a product that could command the price premium necessary to cover these extra costs," Mr Ward said.

"So we cut 1,500 staff from middle management within 12 months and moved into the world's top 10 most efficient airlines. We spent A$1bn on fleet re-equipment and poured money into improving our service although we already had a reputation as being one of the best long-haul airlines. It has worked. Worldwide surveys over the last three years show that three long-haul airlines are now out in front in a class all of their own—Qantas, Singapore Airlines and Swissair.

"We have to go on striving to maintain that because it is the key to our survival. But even so we have a major worry for the future which is Australian wage costs. Some 27 per cent of our costs are for labour compared with 8 to 18 per cent among our Asian competitors and 23 per cent for Continental. United, who are currently making a huge push on Australia, have 27 per cent like us but unlike us theirs are falling."

Qantas has also realised that national airline or not there is a limit to the amount of passenger growth which can be generated from Australia's small population. "We have cut back marketing here and thrown more money at it overseas where we had a relatively low profile.

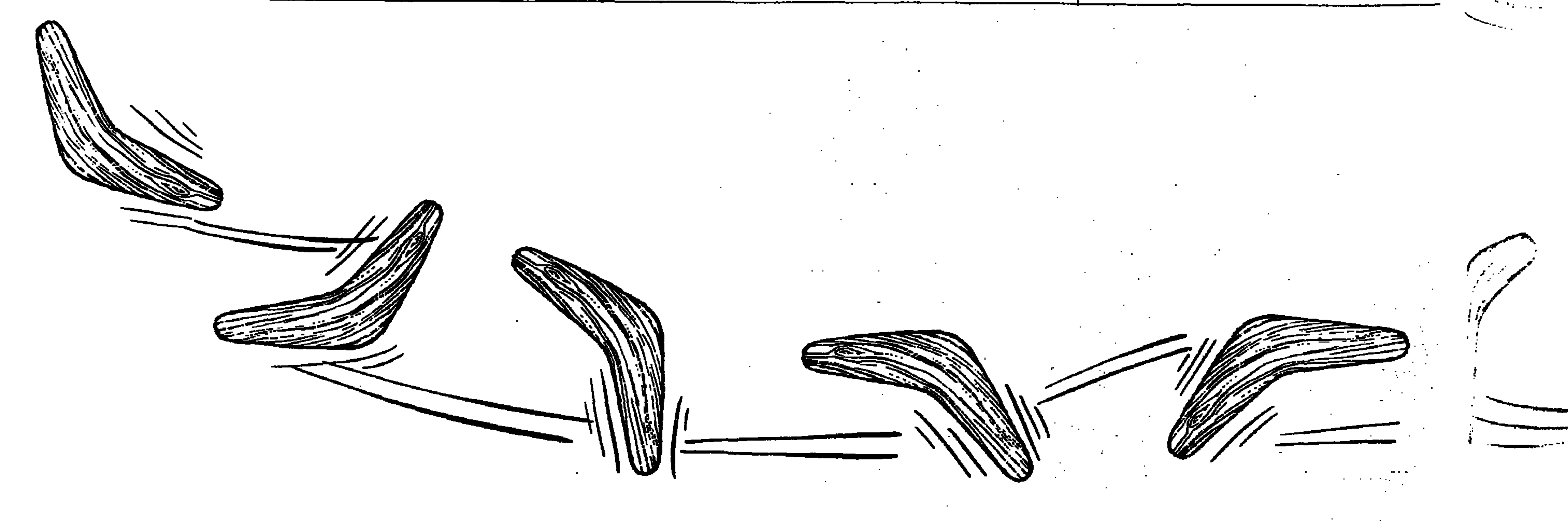
"*Our major growth will now* come on inbound traffic from the Pacific Basin, North America and Japan and as the dollar devaluation starts to feed through we shall get more and more tourists coming in.

"In spite of the intense foreign competition we have one advantage as an airline which has an exceptional safety record, having never lost a life, and which is not connected with any of the states in the front line of the terrorism problem. We don't fly to the danger spots either, having very few stops in either the Middle East or Europe," Mr Ward says.

An important problem facing the airline is the anti-competitive rules covering domestic flights in Australia which have protected the internal airlines from Qantas competition since 1979. The result is that every week more than 17,000 empty seats—65 per cent—fly empty on the domestic legs of Qantas international flights because passengers arriving on airlines other than Qantas must travel inside the country on one of the domestic airlines even if it means paying a higher fare than Qantas could offer.

"Between 1964 and 1986 the lowest available airfare for passengers travelling on international airlines between Sydney and London increased by 32 per cent. At the same time the lowest available airfare for passengers travelling between Sydney and Melbourne on domestic airlines increased by 324 per cent," says a Qantas campaign booklet. "The spirit of fair competition."

"I don't see any chance of US-style deregulation here and anyway unless you deregulate labour it is meaningless. But the *current policy works against the* tourist industry's efforts to get a bigger share of the world market which is supposed to be one of our great economic hopes," Mr Ward concluded, without the faintest hint of optimism.



Profile of Simon Crean, leader of the Australian Council of Trades Unions
By Robin Pauley

The man who can scupper the pay accord

SIMON CREAN is about to become the most important man in Australia. As leader of the Australian Council of Trades Unions he is the key to the pay accord between government and workers which has kept the economic strategy afloat during increasingly stormy times.

The economic crisis has now reached dimensions which have prompted Paul Keating, the treasurer, to call a summit of government, business and unions with the aim of deferring a key promise—the income tax cuts due in September.

The crucial question is whether Crean will refuse, in which case the Accord will collapse and, possibly, the government with it, or whether he will agree, in which case his position among increasingly restless unions may become untenable.

Simon Crean, like Keating, is part of the new realpolitik generation within Australia's *Labor Party although, unlike* Keating who left school at 15, he has a wide educational background with economics and law degrees.

Crean is 37 and the son of Frank Crean, a former Treasurer. His entry into the union movement was almost accidental: *he took a vacation* job as a researcher with the Victoria branch of the Federated Storemen and Packers Union, one of the country's most blue-collar unions. Coincidentally Bill Kelty, Crean's friend and colleague who is secretary of the ACTU, started his union career *in the same* way with the same union.

He progressed up the union hierarchy to become general secretary at 30, using this base to climb the ACTU ladder until becoming president last September, having previously been junior and senior vice-president.

He has been instrumental therefore in planning the two Accords during the Hawke government which have enabled government and unions to trade off deals with each other to keep pay rises down: in short to run a pay policy.

Like Keating, Crean is often tipped as a future prime minister, holding now the position formerly held by the current premier, Bob Hawke. But he insists he has no parliamentary ambitions.

"I tried for politics once and got beaten by one vote in the pre-selectionfor Melbourne *Ports in 1977. Once* beaten, I had no more interest and decided to work through the union movement from which, after all, the (Labor) Party was formed.

"The problem until 1983 (when Hawke was elected) and the problem still in the UK and New Zealand Labor parties is that close association with the unions has been seen as a *liability*. I have always believed that the relationship properly tapped can be turned to electoral advantage as well as social progress and that's what we've been doing."

Designing these pay accords meant trades unions abandoning their traditional approach to work and pay. "The movement recognises that there are limits to the extent that standards of living can be maintained. With the prices and incomes accord we have seen the ability to introduce the concept of trade-offs such that the *main distributor of the standard* of living is no longer money wages.

"We have had examples of national health, taxation and superannuation changes—all social wage issues—being taken into account in terms of reducing the level of demand on money wages."

Mr Crean firmly *rejects* the notion that Australia's high wage economy and rigid labour market is at the seat of the current economic difficulties.

But he claims that while the unions have played their part the employers and commerce and industry have not.

"*Investment is also* essential in wealth-creating activities to sustain the levels of economic growth needed to bring unemployment down.

"But where is this investment? There is a lack of preparedness to invest or even to plan to invest in wealth-creating *assets although there has* been no lack of preparedness to invest in debt or to take over existing assets.

"The business community is not playing its part. And if the excuse is that it has no confidence in the trade union movement then I don't know what else we can do after three years *of sticking to the accord.* They're never going to have confidence if they haven't got it now. Their key problem is an inability to embrace tri-partism."

But, like most of the world's incomes policies before it, the bi-partisan arrangement *between the unions and the* government now faces a critical test. The quid pro quo for moderating real wage claims and forgoing some increases was that a deferred pay rise would be paid this year in the form of a superannuation fund costing 3 per cent of the wage bill and *that a A$2bn two-phase cut in* income taxes would begin in September.

As the deadline for delivering on these promises draws near, Mr Keating shows every sign of wanting to back off from them

"The accord is not a series of concessions from unions. It is an agreement between two sides *and both sides'* bargains have to stick," Mr Crean said.

His balancing act has already come under fire with some 30 radical unions complaining that the ACTU is too close to government strategy and graffiti such as "The Hawke-Crean Government — the best Liberal (ie conservative) Government yet" has appeared in the major cities.

But in spite of his success in pulling the unions face to face with Australia's deep economic problems there is a limit for Simon Crean and reneging on promises is it.

"Make no mistake. If the *superannuation scheme and* the tax cuts are not delivered that is it. It is all off. By definition the Accord will have been smashed," he said.

Simon Crean says that if the superannuation scheme and tax cuts are not delivered the Accord is smashed

Button Car Plan

Reduction of models

AUSTRALIA, WITH a population no larger than that of New York State, has five car manufacturers *struggling for survival* in a market really only big enough to sustain a couple of them.

The answer, rather than let them fight it out against each other and against importers in the market place, is the Button Car Plan in the charge of Senator John Button, the Minister for Industry, Technology and Commerce.

It is an ambitious, centrally planned solution designed to *reduce protection and instil* some sort of competitive order into the industry by 1992. But some recent developments indicate the plan may now be in jeopardy.

Australia's five car producers are AMI-Toyota, Ford, General Motors—Holden's Mitsubishi and Nissan. Between them they produced about 385,000 passenger cars in 1985 but the average model run was under 30,000 because they offer a total of 13 *models between them.*

Four have completely unviable runs of under 15,000 cars a year and only two models, the GM-H Commodore and Ford's top of the range Falcon series, have runs above 35,000. Not surprisingly most manufacturers and models lose money most of the time, Ford being a persistently profitable exception.

In addition, the local manufacturers compete against a full range of imported cars which attract penal import duties making them very expensive for the customer. The combination of these duties and the protection from real competition it affords the *domestic car and* component makers tend to keep the price of locally produced cars artificially high

The Button restructuring plan, backed by an Automotive Industry Authority to enforce the rationalisation, requires the present 13 models to be down to six or fewer by 1992. The Government also hopes the present five manufacturers will be three by then although it is difficult to see any either merging or pulling out.

Local producers can currently import a quota of cars at a tariff rate of 57½ per cent while all cars imported outside the quota including those from non-local manufacturers attract a penalty tariff of around 100 per cent. The quota number is to fall each year and by 1992 all imported cars will bear the same tariff of 57½ per cent which means quota restrictions will cease to have any effect although locally produced cars will still enjoy considerable protection through the tariff rate.

"But this could change too. In 1990 the post-1992 tariff level will be recommended and it could be much less than 57½ per cent. That figure is not set in concrete. But we've got to make a start and concentrate the minds of the manufacturers to get them away from the inefficient attitude that the parent company will prop them up by throwing millions of dollars at them for no improvements in efficiency or productivity," said Senator Button.

The plan goes wider than just the locally produced models. Manufacturers who import kits for assembly in Australia are to lose their partial protection by having the import tariff on the kits raised from 35 per cent to 57½ per cent by 1988. But local component manufacturers, whose relationships with the manufacturers were described by *Senator Button as "dreadful"*, are to remain heavily protected through the rule requiring the overall production content to be at least 85 per cent local.

The key to the plan will be whether manufacturers can come to agreement with each other, perhaps with the authority acting as marriage-broker, for joint production arrangements. To keep a full range of models on offer to customers *from a maximum six basic* models will require a lot of "rebadging", renaming, cosmetic changes and differing engine configurations.

In spite of the *unlikelihood of* two American or Japanese makers willingly co-operating in a way which could breach their commercial confidentiality the Australian crisis is sharp enough to have them at least circling each other.

"I am busting to get a badged car but it is not easy. We are talking with Toyota and with Ford. We'll talk to Nissan too if necessary. Nothing has happened but we are still talking *and trying. We are courting for* anything—model, engine, anything goes," says Mr Graham Spurling, chief executive of Mitsubishi, one of the architects of the Car Plan and currently enjoying profits from the Magna, Car of the Year, after some rough years. "But we make no reasonable return on assets," he says "There's nothing like that in the car industry. You'll have to go to Elliot and Holmes a Court for that."

Two *companies* that have made more progress are GM-H and Nissan who have reached joint agreement over production of an engine. "We haven't got an *engine deal* yet *but* we are talking and we are discussing with a couple of other manufacturers to see what possibility there is for sharing model lines but obviously I am not saying who they are," said Mr Bill Dix, managing director of Ford, more circumspectly than Mr Spurling.

Both agree that the plan is good in that it gives the industry time "to get its act together" without the disruption which *would follow* instant removal of all protection. But they disagree about what is in the plan for the customer. "A better and cheaper product through better competitiveness and productivity," says Mr Spurling. "Nothing, but he's had it so good why would he want it any better?" Mr Dix asks.

But dangers are looming for the plan. The sharp devaluation of the Australian dollar has had a sharp impact on the industry's financial planning, raising the costs of imported components and plant for new investment.

After a year of record sales in 1985 new car sales have plummeted this year, a fall exacerbated by high interest rates and higher prices caused both by devaluation and by the switch to unleaded petrol technology.

In addition, the Government plans a fringe benefits tax from July 1 but to avoid unpopularity with the citizens will impose the tax *on employers rather than* the beneficiary employees. The complex tax will penalise larger cars, ironically the only models with reasonable production runs — and as fleet sales account for 50 per cent of the market the impact through lost sales and model down-sizing could be substantial.

But a more fundamental but less remarked difficulty is already arising from the plan. In the component sector the trend has been towards mergers and fewer suppliers with the result that there are now a string of sole suppliers, some of whom have raised prices with impunity. Repco bought Girling to become the sole brake parts supplier. Repco also bought the drive shaft sector of W. H. Wylie to become sole supplier of drive shafts. Borg Warner are the only suppliers of axles and transmissions. bosch has the alternator and starter motor sector to itself and sole *suppliers also control* exhausts, steel, windows, flooring and upholstery.

This is the sort of rationalisation the plan envisaged but in some cases it is working in an anti-competitive way. "It is not perfect but I think it is the only way forward. We have the power *to intervene if it goes* badly and we shall use it.

"You must remember that Australia's history is of a very over-regulated, slow-moving protected economy. To dismantle that you'd better do it in a way which produces a steady result rather than a cataclysmic *one.*

"I dont think the difficulties such as the fall in sales or the benefits tax put the Car Plan in deep trouble and things will be better once the uncertainty over the level of the tax, for example, is resolved," Senator Button said.

But he added: "The fact is that if you had your life to live over again you would not have a car industry at all in Australia. But we do have one and as it is fairly integral to a whole range of our manufacturing activities we are just having to try to make the best of it."

Robin Pauley

Left: An iron ore train hauling from Mount Newman Mining. Above: John Kerin, Minister for Primary Industry: a warning on falling standard of living.

Natural Resources

Coping with a buyer's market

Mined products, especially coal and oil, have replaced agriculture as the most important export sector but the outlook is sombre

AUSTRALIA'S MAJOR economic problem is its trading performance and the largest element of that is its natural resources sector.

When Mr Paul Keating, the Treasurer, spoke recently of the danger of Australia slipping into the status of a "banana republic", he was no doubt thinking of the difficulties of highly indebted countries whose foreign earnings derive mainly from a few primary commodities with little value added by technology or skills.

Of course Australia has historically earned its way in the world through primary exports, with agriculture being the largest foreign earner from the mid 19th century until about 1980.

In the last few years, however, the picture has been changing rapidly, partly because of the growing world surplus in agricultural produce and the fierce protectionism of the US and Europe. This has been worsened by large-scale dumping of subsidised surpluses in some of the markets which Australia might reasonably have hoped to develop.

As the relative importance of agriculture has declined, it has been replaced, not by high value merchandise of services, but by mineral exports, especially oil and coal.

Mined products including oil and gas now account for about half of Australia's exports. About threequarters of these mineral exports are of bulky low value commodities (coal, bauxite, iron ore and manganese).

As a result the country's competitiveness in world markets depends crucially on shipping costs. For the time being the generally depressed state of the shipping market has worked in Australia's favour, even though its own trade union customs have reduced the advantages of low world freight rates in some cases.

Nevertheless, freight's high proportion of costs does mean that ships become heavily dependent on the Far East markets, particularly Japan.

Moreover, although Australia is blessed with some of the highest quality deposits of iron ore, coal and bauxite in the world, it is looking out on a world where potential supply is likely to exceed demand for several years.

Coal exports, which are now Australia's largest single export earner, are not only facing strong competition in many markets from South Africa and North America but also a general erosion of price as public utilities and companies threaten to switch over to burning cheap oil.

Because Australia is selling into commodity markets which are generally over-supplied, its propects for increasing export volumes are not in general very great, although coal exports rose by nearly 19 per cent in 1984 to 76.4m tonnes, representing about a quarter of world exports. A steady growth of steaming coal exports seem likely until the end of the decade as the Queensland and New South Wales mines exploit their comparative advantage of wide mechanised seams and large open cut operations.

The general picture, however, is subdued since the outlook for base metals continues to be weak, partly because of the slower growth of debt-ridden developing economics, and partly because metals consumption has gradually become less important in relation to the growth of the developed world. Aluminium, which enjoyed rapid world growth until the time of the first oil shock in 1973, has suffered from a depressed market since. In spite of some revival in demand recently, there is little optimism that growth will recover anything like its former momentum.

Therefore, as the developedworld economy has moved into services and the exploitation of computers and information technologies, Australia's net exports have moved markedly towards energy and energy-related commodities.

This reflects, not just the increase in coal production but the rise in oil output and the decision of the Commonwealth governments in 1983 to allow exports of oil for the first time. However the period of oil self-sufficiency is destined to be short. Australian oil production is likely to decline, quite fast for the rest of this century, particularly if a depressed oil price continues to curb exploration budgets. As a result, Australia will soon become a substantial net importer of oil again.

These generally adverse factors would matter less if Australians and their trade unions had not become used to a generally rising standard of living, with the assumption until the recent accord between the government and unions, that wages would rise by at least the rate of inflation plus a bit more.

Now, Mr. John Kerin, the Minister for Primary Industry says: "Our standard of living is going to go down: it is all a buyers' market in commodities and we do not have the population to get into manufacturing industry in big way. Attitudes have got to change."

However, Mr. Kerin says it is very difficult to make firm decisions and to make them stick, perhaps a reference to the Government's dificulties in convincing some parts of the trade union movement of the need for a more flexible approach, and perhaps also to the Commonwealth Government's acute difficulty in agreeing a better apportionment of mineral taxes with the state government.

For the mining industry, the harsher world environment after a long post-war period of rising prices has led to a sharp readjustment with improved working practices and in some sectors a renewed effort to modernise.

Dr Ian Storey, mining analyst for the Sydney broker Meares and Phillips says: "The industry has responded to difficult times by cutting costs, increasing productivity, making technological innovations and developing a greater awareness of the need to market competitively.

Australia has a slimmer, trimmer more efficient industry better fitted to tackle a new competitive resource market."

Nevertheless, the mining and energy sectors are labouring with an out-dated top hamper of government taxes and restriction which cannot but retard their progress on world markets.

The Commonwealth Government has declared its general support for moving away from taxes on production towards taxes on profits, and in the oil sector has made limited moves in this direction.

However, as the Paris-based International Energy Agency points out in its latest report on Australia, much remains to be done. Restrictions on exports of coal and other commodities (including some agricultural products) can only penalise the more efficient producers as well as creating a cumbersome administrative layer.

As the IEA says of export controls on coal: "Prices to which producers agree should not need to be second-guessed unless they result, from coercion, grossly unequal bargaining power, or other market failure.

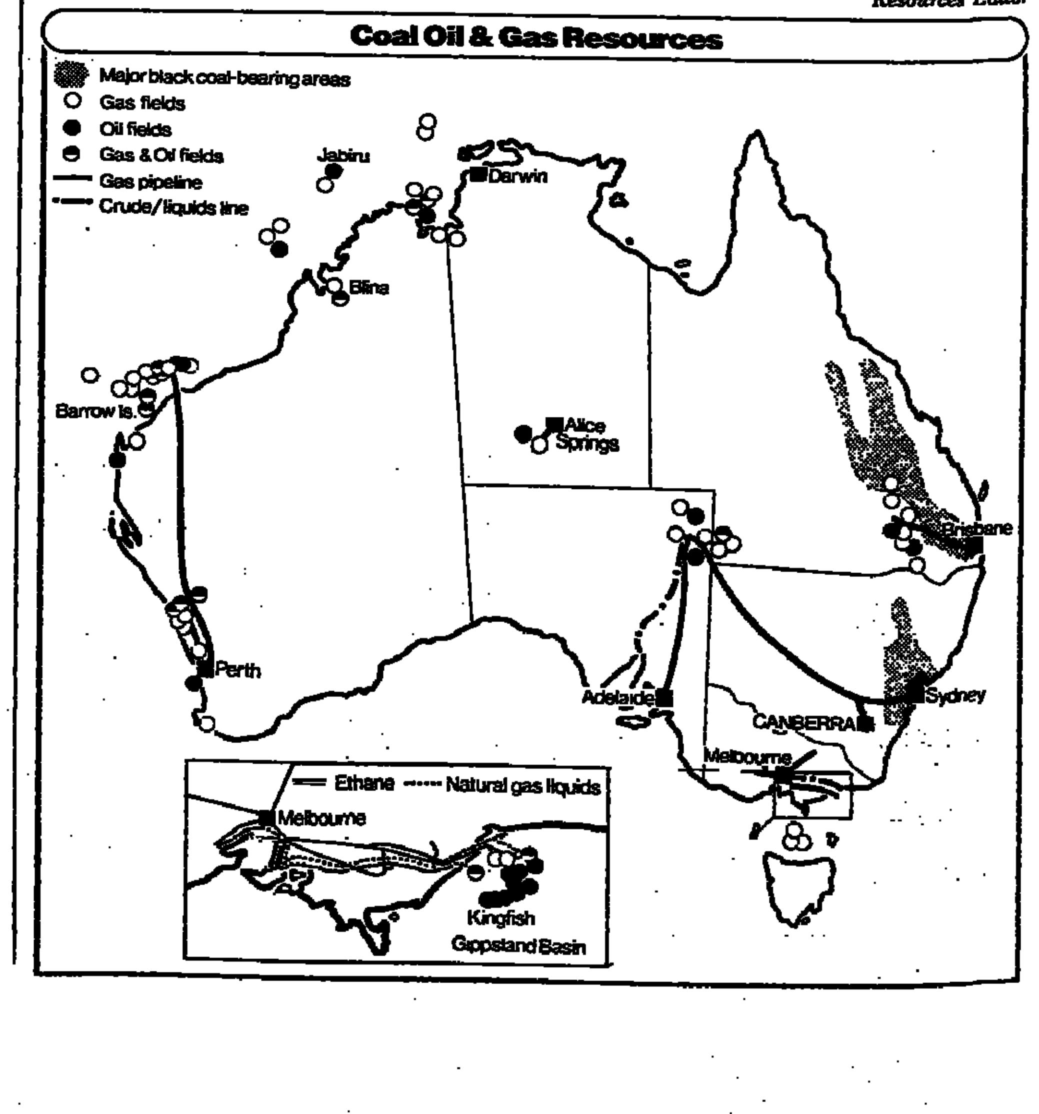
"Policies which inhibit the longer term efficient and competitive operation of the coal market, whether by producing or consuming countries, should be avoided."

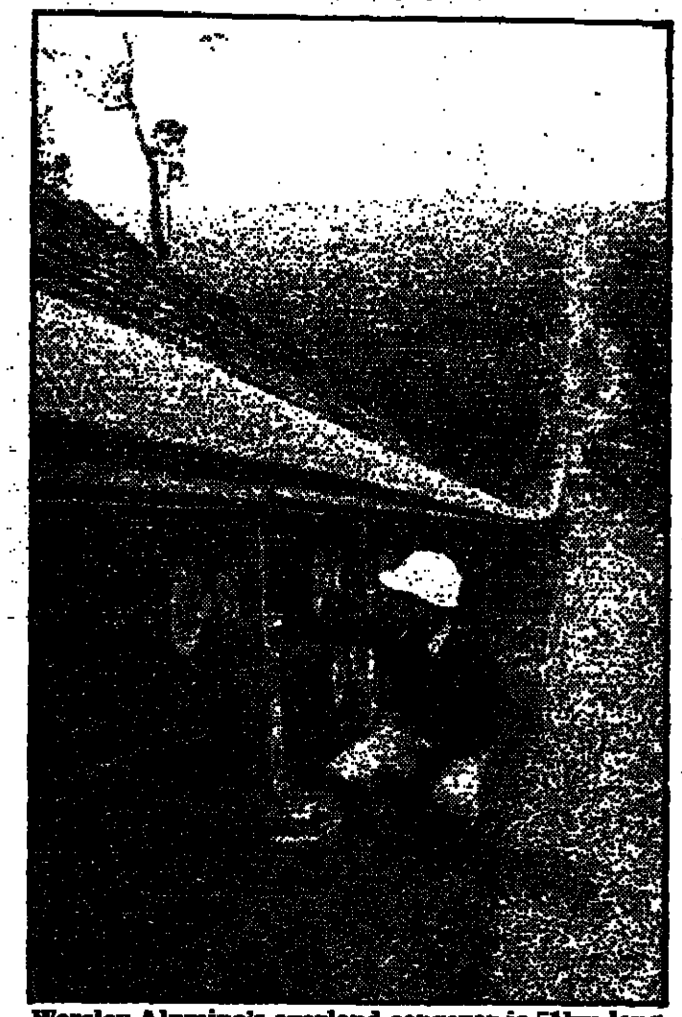
The IEA castigates the system by which the Commonwealth Government sets crude oil prices, even though its Import Parity Price does reflect world prices and currency movements. The Agency is also harsh on the subject of the premium prices charged by the Queensland and New South Wales Governments for the rail freight of coal to the ports.

It says that although these very high rates have been somewhat reduced they still "seem to be an unfair means of royalty collection in that they are established on a volume basis instead of a profit basis." It says this acts as a disincentive to companies with good economic performance and those increasing their productivity.

However to get rid of these excessive charges is easier said than done. The states have become dependent on these revenues, while the Commonwealth Government, with budgetary problems of its own has no cash to spare. Besides, as one Labor politician was heard to remark: "When will the mining bosses vote for us?"

Max Wilkinson
Resources Editor





Worsley Alumina's overland conveyor is 51km long and links the mine, near Boddington, with the refinery near Collie, Western Australia

Gold

Technology puts new life into the mines

THE AUSTRALIAN gold rush of the 1980s has resulted from a remarkable grafting of new technology onto the pioneering efforts of the 1890s.

Heroic tales of men tramping across the desert, desperate shortages of food and water ending all too often in dusty death are part of the folklore of Western Australia. But the old spirit of adventure and discovery has revived strongly, with a new style of entrepreneurs and small companies jostling with the giants in the search for gold. The result is that Australian gold output is now the highest that it has been since 1915 and rising fast, although it is still little more than half the record of 119 tonnes achieved in 1903.

There has also been a surge of interest in the names made famous in Australian history as old workings are revived by modern mining techniques.

When Paddy Hannan and Tom Flanagan made their first find on June 14 1893 in Kalgoorlie's fabled "golden mile," on the dusty rim of the Nullabor desert, they could scarcely have dreamed that it would still be bursting with activity almost a century later. Nor would the old miners in nearby Mount Charlotte have foreseen that a new shaft would be driven more than a kilometre deep to extend the life of the mine from 1985 onwards.

Kalgoorlie Mining Associates' Mount Charlotte project and a host of smaller operations ranging to some which are tiny by modern mining standards have all been helped by the 29 per cent depreciation of the Australian dollar, which pushed the price of gold up to A$450 to A$500 per ounce.

Total production costs are estimated to range from as little as A$200 or less to about A$370. This allows goldminers to make respectable profits which, by a rather strange Australian tradition, are exempt from corporation tax.

Although the Labor Government said last summer that it was thinking about bringing gold profits into the corporation tax net, it appears to have backed off for the time being at least.

The Federal government desperately needs more cash, particularly after the collapse of its oil revenues, but it may also be impressed by the argument that gold mining is thriving and providing more jobs, precisely because it is *not* taxed.

Certainly the results have been impressive. More than 60 companies are now engaged in goldmining in Australia. Gold exports in 1985, at 51 tonnes were more than five times their level three years earlier. Production doubled in the period to 57 tonnes and is still rising fast.

According to the Australian Bureau of Mineral Resources, about 40 per cent of the amount spent on minerals exploration, excluding oil, was allocated to the search for gold.

Its latest report says that plans are in hand for the commissioning of well over 50 new goldmining operations in the next two years in addition to many one to two man alluvial operations.

They will help to keep up an impressive momentum which resulted in a 46 per cent rise in production in 1985. Last year the open cut Kidston Mine, Australia's largest, started operation with a capacity of about 6.7 tonnes a year. A major extension of the Telfer mine was announced by Newmont and BHP.

Pancontinental's Paddington mine was commissioned in May and Renison Goldfields' and Enterprise Gold Mines' Pine Creek mine was commissioned. Windsor Resources started its Mount Percy open cut mine in November.

This list gives an idea of the bustle and excitement felt by the gold diggers in marked contrast with the flatness of much of the rest of the mining industry.

As Mr Campbell Anderson, managing director of Renison Goldfields Consolidated, says: "The gold industry has got back to how it used to be with a lot of highly motivated entrepreneurs leading the pack rather than the managers of large companies."

Mr Don Morley, finance director of Western Mining says: "There is a lot going for gold mining: the sort of people in it are dedicated and enthusiastic. . . ."

This enthusiasm as been based largely on a number of technological developments which have helped to bring a substantial reduction in the cost of producing gold for large and small operators alike.

As a result, much lower grade ores can be exploited profitably. Many old mines have been re-opened and many smaller operators have been able to reprocess the tailings left behind by a past generation of miners.

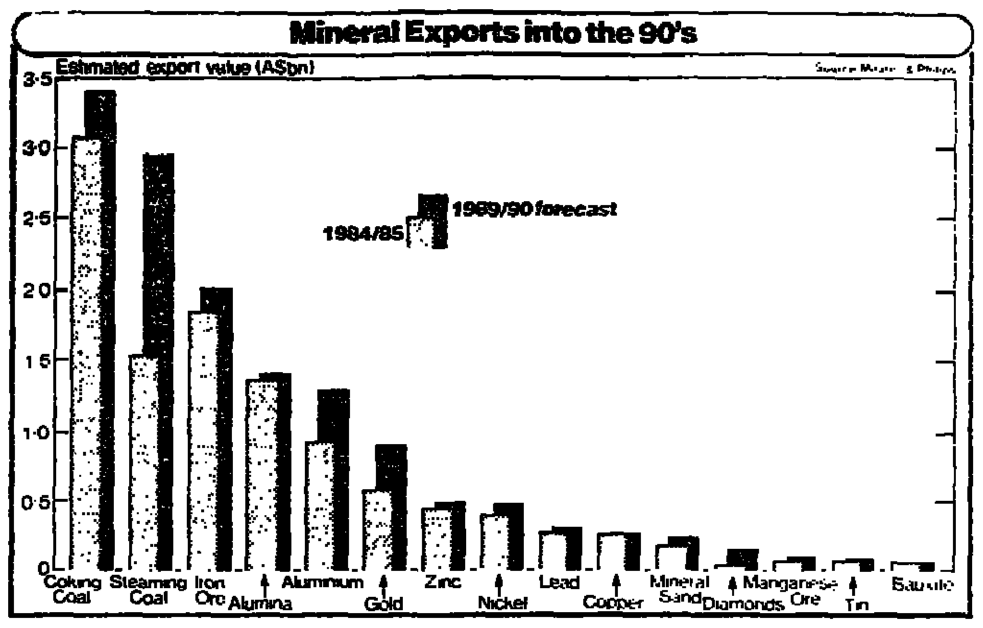
The most obvious improvement has been the steady increase in capacity and efficiency of earth-moving machinery. This enabled open cut methods to be used for many deposits

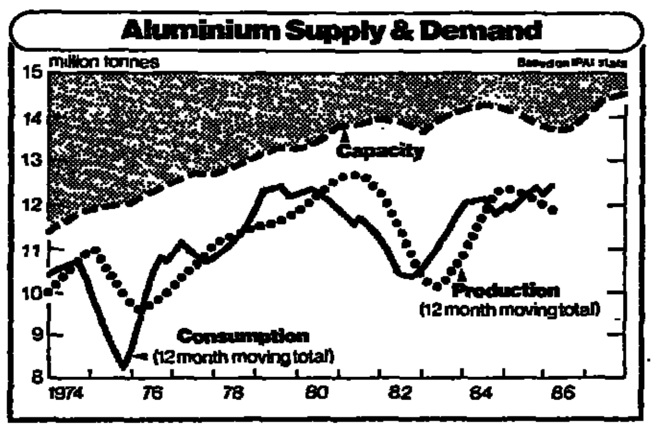
The other major developments have been in the treatment of ores by new processes including the carbon pulp method, which have sharply reduced costs.

At the other end of the business, gold miners are relieved of the increasing difficulties facing other minerals producers of marketing their output.

As one mining executive remarked: "When you have refined gold, all you have to do is put it in a sack and take it along to the bank"—almost. And for the time being at least there are no government officials lying wait to put their scoop in the swag.

Max Wilkinson





Aluminium

Tough times for the big three

AUSTRALIAN ALUMINIUM producers are bracing themselves to live with depressed metal prices and sluggish growth of around 1-2 per cent a year in the foreseeable future.

As with most of the world aluminium industry, times are tough for the three big Australian producers, Comalco, Alcoa and Alcan.

After reporting a A$69m loss in 1985, Comalco made a modest profit for the first quarter of this year, and, provided metal prices maintain recent gains, the company should make a profit in 1986.

The devaluation of the Australian dollar helped Alcoa of Australia, owned 51 per cent by Alcoa of the US, to make a profit of A$46.6m for 1985. But in spite of better metal prices, Alcoa's earnings for the first quarter of 1986 were down 90 per cent on the same quarter last year. The profit of A$785,000 represented a mere 0.1 per cent annualised return on total assets, a level which the Alcoa board justifiably described as "completely unsatisfactory".

Alcan, 70 per cent owned by Alcan of Canada, made a A$16.2m profit in 1985, but according to the company, the return on investment was "abysmal".

All three companies have concentrated on cutting costs and improving productivity. It's a far cry from the early 1980s, when Australia perceived "a window of opportunity" for massive expansion into aluminium smelting.

The oil shock of the late 1970s saw electricity prices escalate all over the world. Japan decided to close down about 1m tonnes of smelting capacity, and cuts were expected in the US. At the same time, there were bullish forecasts for economic growth throughout the world.

So Australia, with its huge bauxite supplies and abundant steaming coal for power generation, made rapid expansion into aluminium smelting.

In the beady optimism of the early 1980s, nine new aluminium smelter projects were mooted which would have taken the country's smelting capacity to 2.8m tonnes.

In the event, however, the sharp world economic downturn meant that only three new projects actually went ahead. The CSR-Pechiney joint-venture Tomago smelter, in the New South Wales Hunter Valley, came on-stream with 230,000 tonnes in 1983. Alcoa's Portland smelter, in Victoria, is due to come on-stream in September this year with 300,000 tonnes of capacity; and Alcan's Kurri Kurri smelter, in New South Wales, has just opened its third potline, increasing output by 55,000 tonnes to around 150,000 tonnes a year.

According to the Bureau of Mineral Resources (BMR), aluminium production in Australia rose 12 per cent in 1985 to 851,286 tonnes. Operating rates were at capacity. Aluminium exports rose by 38 per cent compared with 1984.

The BMR expects Australian aluminium production to increase by 1.6 per cent to 865,000 tonnes this year, with further increases in 1987 as Alcan's newly-expanded Kurri Kurri smelter reaches capacity and Alcoa's Portland smelter is progressively commissioned.

Bauxite production rose by 0.7 per cent to 32.4m tonnes, about 5m tonnes of which was exported. Australia produces around 42 per cent of the non-communist world's supply of bauxite.

Alumina production remained about the same as in 1984 at 7.2m tonnes—about 36 per cent of the non-communist world's production. Gross export income from bauxite, alumina and aluminium is estimated by the BMR at over A$2.5bn in 1985, around 25 per cent up on 1984.

Stocks of aluminium at smelters and fabricating plants in Australia and New Zealand were between 210,000 and 250,000 for most of last year, according to the International Primary Aluminium Institute. This was higher than in 1984.

Comalco's General Manager Business Systems, Mr Terry McDonald, says that undoubtedly the major problem confronting the aluminium industry worldwide is the substantial excess capacity overhanging the market. Price increases are likely to draw this capacity back into production with consequent further downward pressure on prices.

At the same time, demand for aluminium, which grew by an average of 10-11 per cent a year between 1950 and 1980, is not expected to increase by more than 1-2 per cent a year over the next ten years. The material intensity of Western economies is declining, with most growth coming from service industries not engineering and manufacturing. The less developed nations, which could boost demand for metals, are constrained by their heavy debt burdens.

Lower oil prices have meant more competition for aluminium from plastics and could attract some oil-fired smelting capacity back into production. However, the lower oil prices should ease the poorer countries' debt burden. Cheaper fuel could also lead to cheaper freight rates, an important element for Australia which is so far from its markets.

Australia still has a comparative advantage in cheap alumina and comparatively cheap power. Also, much of its smelting capacity is very modern and efficient. On the negative side, Australia's competitive position is being eroded by an inflation rate of nearly 8 per cent, more than twice the OECD average.

Australian producers have voiced concern over the country's inflexible wage-fixing scheme and high company tax regime.

Patricia Newby

Oil

Hoping for better times

"THE IMMEDIATE problem is to avoid panic." Thus Mr Reg Sprigg, one of the wise men of the Australian oil industry, tried to reassure fellow oilmen at the recent conference of the Australian Petroleum Exploration Association in Adelaide.

In his address as emeritus chairman of the association, he uged those companies which could take a longer view to keep up the search for oil in the knowledge that better times would surely come.

It was an Exhortation which the federal government might fervently second. For the third oil shock—which halved oil prices in only a few months—has come at a peculiarly awkward time for Australia.

Its big deposit of comparatively cheap oil—in the Gippsland basin of the Bass Strait—is now reaching peak production from which a steady decline is likely. Consequently, Australia's dream of becoming self-sufficient in oil will soon fade unless new discoveries are made.

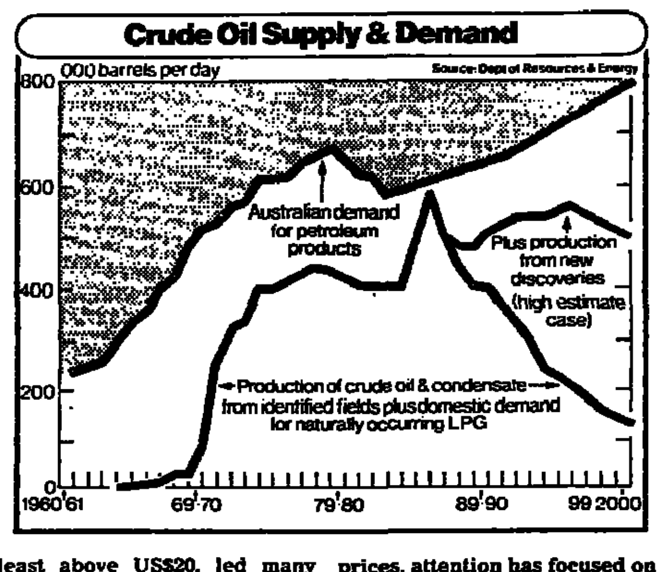
But the prospects for new oil finds are rapidly clouding over. Esso and Broken Hill Proprietary (BHP) have shelved A$1bn of their A$1.8bn exploration project in the Bass Strait. Exploration programmes in the continental shelf off the North West coast and in the Timor Sea must now be called into question, while the onshoie programmes of a large number of smaller companies inevitably will be starved of cash.

Mr Keith Orchison, executive director of the APEA, estimates that of the A$830m which Australia's 92 exploration companies planned to spend this year, only A$450m is left in the budget. Some 4,000 jobs in the industry are in jeopardy, and of the 45 onshore rigs only 13 are now working, compared with 24 a year ago.

The federal government has said in its Review of National Energy Policy, published in March, that Australia would need to drill about 230 exploration wells a year to find reserves equal to each year's consumption of crude (about 200m barrels) and so maintain reserves at the present level.

Until the collapse of the oil price it looked as if this ambition might be achieved. Last year 226 onshore wells were drilled—slightly more than in 1984—while 135 offshore exploration wells were sunk in the last three years.

This vigorous programme, at a time when oil prices were generally expected to remain at least above US$20, led many exploration companies in Australia, as elsewhere, to increase their debts substantially. About a third of all their financing came from foreign investment, with some companies borrowing heavily in US dollars.



The depreciation of the Australian dollar has increased the burden of those debts for companies which were expecting to service them mainly or partly from domestic earnings.

One analyst has esimated that, as a result, perhaps a third of Australia's exploration companies will be vulnerable to takeover within the next 12 months.

Whether or not this prediction is fulfilled, it is already clear that the federal government's longstanding policy of promoting the interests of Australian companies will come under increasing strain if the oil price remains near the levels reached this spring.

Under present policy, licences are awarded only to ventures which have at least 50 per cent Australian participation. Although this rule had to be relaxed for projects off the North West coast because of enormous capital costs, it has generally favoured the growth of small to medium-sized companies.

But now, it looks as if all but the large international companies and the diversified groups like BHP will be highly vulnerable in the gathering storm.

As oil companies become used to the idea of much lower prices, attention has focused on the prospects of finding substantial new oil and gas reserves and the likely costs. In spite of the fact that very large parts of Australia are still little explored, opinion has grown that oil may not be as abundant as was once hoped and that it will be relatively expensive to produce.

Since the major discoveries in the Bass Strait, starting with the Kingfish and Halibut fields in 1967, no new oilfield which ranks as large on a world scale has been found. A large number of wells in the Cooper and Eromagna basins in South Australia and Queensland have yielded useful but small quantities of oil, much of it in hostile environments.

Off the central West coast at Barrow Island, oil has been flowing since 1967 and is currently being produced at 20,000 barrels a day.

More recently, the discoveries of oil at Jabiru and Chalice in the Timor Sea raised hopes that a major new oilfield might be added to Australia's reserves. However, the most recent assessment is that in comparison to the Gippsland fields they are both relatively small.

The major finds since Gippsland have been gas, particularly off the North West Coast. However, much of Australia's gas is remote from the centres of population in the South East.

This has brought the need for heavy capital expenditure on pipelines and in the case of the North West Shelf project, an expensive Liquefied Natural Plant solely to supply Japan.

Woodside Petroleum, now jointly controlled by BHP and Shell, says that the first phase of this LNG plant will certainly continue to go ahead in spite of the bleaker outlook for prices.

Decisions on the second phase and on another LNG plant to be operated by Elf Acquitaine near Darwin do not have to be taken for several years by which time everyone is hoping prices will have become firmer again.

In the much longer term when oil again becomes scarce, Australia can look forward to exploiting its estimated 24bn barrels of shale oil deposits and to making oil from its abundant reserves of coal. But that future has suddenly begun to seem remote.

The Government's more immediate problem is how to restructure a tax system which had been to syphon off windfall profits for an era when some companies will be making no profit at all.

Senator Gareth Evans, the Resources and Energy Minister, has made it clear that the Commonwealth Government would like to move to a resources rent royalty which specifically taxes "excess" profits, rather than the present system of excise and royalties which effectively tax turnover.

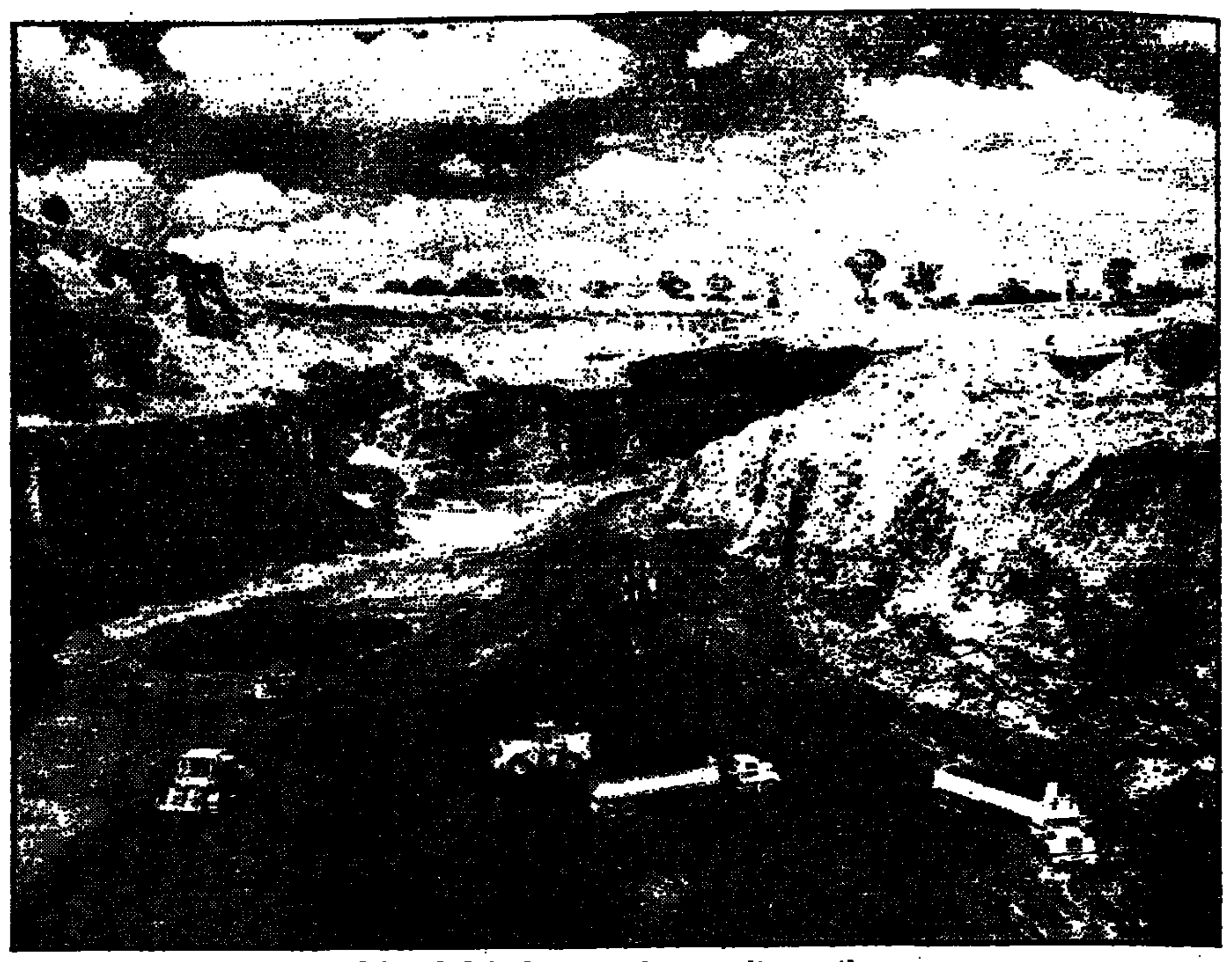
A resources rent royalty has been instituted for the Barrow Island field. However, a more general introduction of the system will require extremely difficult negotiations with state governments about their relative share of the tax take.

In other respects the Government has already conceded ground towards a freer market in oil products by lifting the former ban on oil exports and by ensuring that the administered oil price (the import parity price) moves fairly closely in line with the currency market and world oil prices.

In a period when prices seem likely to be volatile and competition extremely keen, it is also likely that the Government will be forced to dismantle the remaining barriers to a free market if its oil sector is to thrive. This may well hurt some of the smaller companies. But in a country with huge distances, a harsh environment and a relatively small population, small companies could expect to do well only at a time of high prices.

That is a problem which the Government will have to learn to live with.

Max Wilkinson



Blair Athol Coal company's open pit operations

Coal

Freight charges hamper exports

WHY SHOULD a country near the top of the league of debtor nations levy a special tax on its most important exports?

It is a question which the coal producers of Australia have been asking more and more loudly as the sharp drop in world energy prices begins to move market conditions against them.

The answer is that the tax is an historical anomaly, now hard to defend, but like all taxes, difficult to reverse. The export duty, which applies to only one type of coal, is not the most onerous of all the taxes and impostes levied on the industry, since it accounts for less than 2 per cent turnover, but it is perhaps the most glaring example of the industry's complaints.

In spite of the help given by a 20 per cent depreciation of the Australian dollar, about 40 per cent of Australian coal producers failed to make after tax profits last year. Many had substantially under-used capacity, and all were struggling to maintain their share of a world market in which there was substantial over-supply.

Nevertheless, Australia remains one of the most efficient producers of coal in the world and the largest exporter. In 1984-85 the country's coal exports reached a record 84m tonnes or about 70 per cent of the industry's saleable coal production, valued at more than A$4.6bn (US$3.2bn).

The Australian Mining Industry Council estimates that the basic cost of mining coal in Australia is about equal to that in South Africa, which has the lowest costs among the major exporters. However the balance is tipped decisively in South Africa's favour as a result of the much higher freight and port charges levied in Australia, which are equal to about a sixth of basic mining costs.

The rail freight charge in Queensland is more than five times the cost of bulk haulage in privately-owned railways in Western Australia and more than three times freight rates in South Africa for equivalent distances.

The freight charge is therefore claimed by the industry to include a tax in addition to the export duty, corporation tax, excise tax, research levy, royalties and payroll taxes, which have contributed to the depressed after tax profit record of recent years.

As Mr G. D. Lill, marketing manager of the Utah Development Company says: "We are operating large-scale mines which are efficient by world standards, but high state and federal government charges means that only a proportion of the Australian coal industry can compete on a world wide basis."

Last year, the Australian Coal Association says that total payments to state and federal governments rose by 27 per cent. This was somewhat less than the total increase in sales revenues, but considerably more the 17 per cent rise in total production.

The main reasons for the sharp rise in turnover was that some large new mines started production while the depreciation of the currency boosted revenues in terms of the Australian dollar.

Although this was partly offset by higher interest payments on foreign borrowings, the industry's average net profit rose by 83 per cent in 1985 to A$354m. This large percentage rise was from a depressed level however.

The average profit represented an after tax return on funds employed of less than 8 per cent and not enough to encourage an increas in investment. New investment in 1984-85 was 18 per cent lower than in the previous year and 60 per cent below the 1983-84 level.

The general picture, therefore is of some improvement in volume and profits for an industry which remains under very strong international constraints.

The market for steaming coal for power stations seems unlikely to grow much in the next few years, and might even contract somewhat if oil prices remained depressed for long enough to encourage industrial companies and utilities to switch from coal to oil. In Japan, which is Australia's major market, a large switch does not seem likely, but the threatened competition from oil has greatly strengthened the hand of the buyers in current price negotiation.

The market for metallurgical grades of coal, which account for 57 per cent of Australian coal exports could pick up somewhat if lower oil prices stimulate the world economy and so increase the demand for steel. However this has not happened yet, and the world has substantial excess supply and prices remain highly competitive.

The industry therefore has only one way to go: it must continue the struggle to reduce costs and to expand its share of a fairly static market.

Increased production would bring the double benefit of larger revenues and significantly lower costs. Costs in open cut mines, which now produce 54 per cent of Australian coal compares with 61 per cent in 1980-81, are particularly sensitive to rates of output because of the higher capital costs involved.

A recent study by Longworth and McKenzie for the Australian Coal Consultative Council estimated that potential export capacity is now about 100m tonnes a year or about a third more than the actual level of exports achieved in March 1985.

This study suggested that substantial reductions in costs per tonne could be achieved if the industry were operating at full capacity and that the cost of working at less than full output was about A$87m for the industry as a whole or about 2 per cent of the overall cost of production.

The study also pointed out that coal producers would maximise their profits by increasing sales volume provided that prices obtained were greater than the cost of production, capital replacement and breakeven charges.

This point was put forcibly by Mr Lill who pointed out that a A$1 price cut would cost the industry A$85m in a full year, but the gain from 15 to 20m tonnes a year of extra sales could be about 10 times that amount.

There seems little doubt that if profitable markets were available the Australian coal industry could quite quickly expand production significantly above its present theoretical maximum. The Coal Consultative Council's National Research Group has estimated that exports will reach 113m tonnes by 1990.

However the industry has been inhibited in the past from pursuing exports with aggressive price cuts by Federal government restrictions on export marketing. Under present rules, exports are only permitted if the price is approved by government agencies.

The larger companies complain that this inhibits flexible marketing and destroys confidentiality in bargaining. Export controls were set up essentially to protect the less efficient Australian producers against the market purchasing power of Japan. However, officials acknowledge that the system makes less sense in a falling and diverse world market. They claim that the system is being operated so flexibly that export permits are hardly ever denied. However one coal company executive said the export restrictions resulted in the loss of about $1bn worth of sales last year.

Whoever is right, the case for retaining the controls must now be very weak, and it appears that the more liberal wing of the Government would like to abolish them. However there is still a strong emotional attachment to controls within the trade union movement among those who believe world prices can be influenced by government action.

The easing of government restrictions, cost cutting and perhaps a lower tax burden may all help the Australian coal industry to expand its market, but they will be of little avail if customers' confidence is sapped by the spectacle of bitter strikes.

The tougher world market appears to have helped to improve the industrial relations record substantially in recent years. The number of manshifts lost through industrial action in 1984-85 was 246,000, only about half the loss in 1981-82.

But a long and damaging coal strike in Queensland this spring was a bad setback to the image of the industry and led to claims that valuable contracts were at risk. Because coal stocks were high, it seems that supplies to customers were scarcely disrupted. However stocks were high only because the industry been operating at well below full capacity for some time.

That is the problem.

Max Wilkinson

Agriculture

Farmers market their message of a rural crisis

LAST YEAR *Australian farmers* dumped wheat on the steps of Parliament House and staged tractor blockades around Canberra to draw public and political attention to the dire *state of* the rural economy.

This year's methods of publicising the "rural crisis" are much more sophisticated. No more flocks of sheep will be *driven through the heart of Melbourne* (population 2.9m). Instead, the farmers' message will be marketed within Australia through an advertising campaign, and overseas through the likely establishment of permanent representation in Europe.

Farmers are also establishing a fighting fund to give them political, economic and industrial clout.

Mr Ian McLachlan, president of the National Farmers Federation (NFF) made a rallying call at the NFF annual meeting last month for farmers *to try to improve their lot on the* international scene, within Australia and back on the farm.

Mr McLachlan, a 46-year-old wool grower from Adelaide, is the articulate, persuasive spearhead of a movement which has become known over the past 12 months as the "rural revolt."

Australia's normally reticent *and laconic farmers have found* their voice in Mr McLachlan, the consummate agri or agro ("depends on my mood") politician.

He believes that farmers must contribute to the world trade debate, and continue to hammer the big trading blocs like the European Community, the US and Japan over agricultural protectionism and subsidised production.

At home, the farm lobby is one of the most effective voices in calling for lower inflation, more labour market flexibility, reduced taxation, and the scaling down of protective tariffs on manufactured goods.

Under NFF auspices, an A$20m "multi-media awareness *campaign" with the slogan,* "you can't take the country out of the COUNTRY" kicks off in July. It aims to improve the perception among city-dwellers of the role and importance of agriculture.

The campaign finance comes from sponsorship from businesses and banks whose products and services will be featured in the advertisements. Farmers will not pay a cent.

It may be surprising to people outside Australia that farmers have to sell their message to their own countrymen.

However, in spite of Australia's dependence on rural sector exports, only 376,000 people or 6 per cent of the workforce is directly engaged in agriculture (although this number trebles if you count jobs indirectly dependent on rural industry). About 85 per cent of Australians live in cities and most know next to nothing about farming and world commodity prices.

The total value of rural production for 1985-86 was A$15.3bn. This represents about 6 per cent of gross domestic product, but farm exports accounted for 40 per cent of total export income. (Mining accounts for 40 per cent and manufactured goods 20 per cent of export income.)

Australian farmers are being squeezed in a pincer of low world commodity prices and high domestic costs. The slump in export commodity prices (including minerals) which has contributed to Australia's disastrous balance of payments deficit is beginning to focus city attention on the farmers' demands.

According to Treasurer Paul Keating, commodity export prices are as low in real terms as at any time since the 1930s depression.

The main rural exports are wool (A$2.3bn), wheat (A$2.3bn), beef (A$1.3bn), sugar (A$750m), sheep meat (A$400m), dairy products (A$380m), cotton A$255m).

The "farm crisis" is evident in Bureau of Agricultural Economics (BAE) figures which has forecast an 18 per cent decline in the net real value of agricultural production in the *1986-87 financial year which* begins on July 1, on top of a 31 per cent fall in the current financial year.

The net real value of agricultural production this year will be the second lowest on record after the disastrous drought year of 1982-83.

The BAE estimates that average incomes on family farms fell *by 66 per cent* and some 35 per cent of Australian farms had negative incomes this year. Around 12,000 of Australia's 174,000 farms are considered by the BAE "at risk" from bankruptcy.

The Australian Government has acknowledged the rural crisis with is April White Paper entitled Economic and Rural Policy. In the most comprehen*sive statement on the rural eco*nomy ever put to Parliament, the primary industy minister, Mr John Kerin, said that Australia could not afford subsidies on the scale of the EC and the US. However he did announce a package of rural assistance measures including subsidised interest rates, removal of tariffs on farm machinery, lower diesel fuel prices and review of transport and handling methods with a view to increased efficiency and lower off-farm costs.

The NFF, alarmed by the fact that Australia's inflation rate is double the average for the Organisation for Economic Co-operation and Development and more wage rises are in the pipeline, has established a "fighting fund" to give the farm lobby more clout.

"Agricultural issues are public issues. They are economic issues. But you need money behind you if you are going to make any impression, NFF *deputy director, Mr Rick* Farley, says.

Within two weeks of its launch, the NFF had raised A$1m towards an A$10m target. The aim is to invest the A$10m and use the interest to finance political activities.

For example the NFF is prepared to take court action against unions where it believes the unions' actions are damaging the rural, and wider, economy.

Farming is less vulnerable to union retaliation than business because farming is so decentralised and much of it involves self-employed workers. Thus city businesses may be prepared to contribute to the NFF fund because of its willingness to fight test cases.

The fighting fund will also be used to challenge the Government over its taxation, tariffs and interest rates policies. For example, farmers have already threatened a "cheque book" strike against some government taxes.

The greatest problem facing farmers is low commodity prices. Except for wool, where Australia dominates the world market, Australian farmers are price takers. They are not, in general, subsidised.

Australia, like other rural goods exporters, is a victim of *the trade war between the EC* and the US.

Prime Minister Bob Hawke returned from the US in April pleased with official assurances that the US would not target Australian markets with goods subsidised under its Export Enhancement Program (EEP). He had scarcely been home 24 hours when it was announced that the US had won a wheat tender in the Yemen—a traditional Australian market—with a subsidy of US$20 a tonne to bring it just under the Australian tender price.

The US Food Security Act, the so-called Farm Bill, is already affecting Australian exports of barley, cotton and rice which have had to compete with US subsidised exports.

The beef industry is afraid the trade war between the two big trading blocs will break out in Asia—the heartland of Australia's beef market.

Although the US says it is only targeting EC markets where subsidies are already being used, it is inevitable that countries like Australia will be hurt. The Australian Wheat Board *believes that wheat prices to* Australian farmers will fall by about A$12 a tonne in the 1986-87 season as a result of the US Farm Bill.

The NFF is considering establishing a permanent presence in Europe to create greater awareness of the cost to Europeans and to other countries of the Common Agricultural Policy (CAP).

The EC, which used to be a net importer of temporate zone agricultural products, is now the world's second largest exporter as a result of subsidies paid to producers.

The Bureau of Agriculture Economics (BAE) estimates that the cost of the EC's protectionist policies to Australia at about A$1bn a year in lost trade and lower commodity prices.

The BAE has recently published a study entitled "Agricultural policies in the European Community," the so-called Red Book because of its cover, which argues that instead of the largely open-ended system of price support, the EC could achieve its domestic, social, economic and political objectives at substantially lower cost, both to the Community and to other countries. The NFF European post would reiterate this view.

The chairman of the Meat and *Livestock Corporation, Mr Dick* Austen, said on the departure of a delegation to Europe last month that the EC ought to fine-tune the CAP so that it cost less to European taxpayers and did not ruin the whole basis of world agriculture. However, Australia is well aware that the CAP will not be reformed overnight, and in the meantime Australian farmers have no choice but to roll with the punches.

At the farm level there is much greater concentration on improved efficiency. The NFF has called for all agricultural industries to follow the model set by wool, and fund more research and marketing.

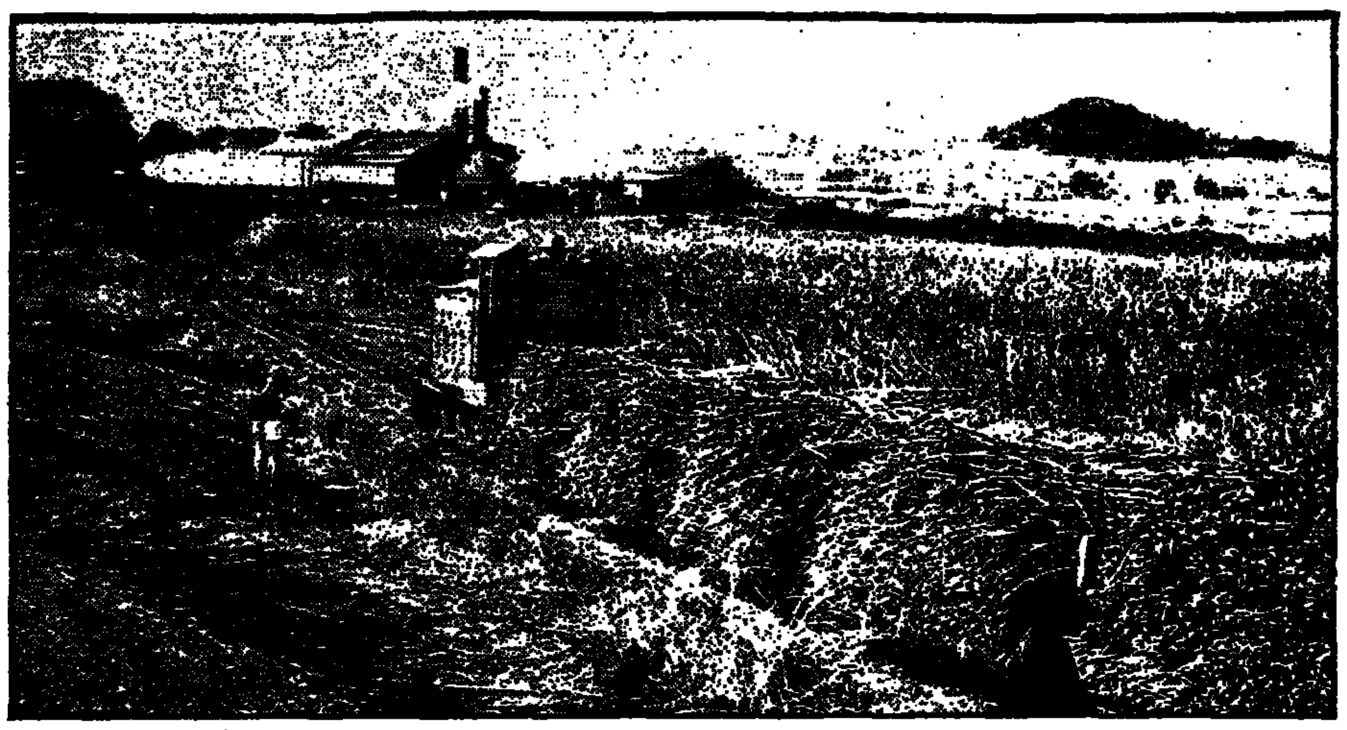
"Selling things today is selling fashion, rather than selling homogeneous commodities," Mr Mclachlan says. There is so much food about that Australia has to look at being able to sell exactly what the consumer wants. If the consumer wants lean meat, then Australia has to produce it. Australian wheat has to be marketed on the basis of its excellent quality and so on.

No matter how much effort is made at the farm level, within the domestic economy and on the world scene, the truth is that Australian farmers will continue to be driven from the land *as they have been for the last* 200 years since white settlement began.

A New South Wales cotton farmer whose livelihood is endangered by competition *from US subsidised exports,* remarked wryly that about the only commodity that was profitable in Australia at present was the birds which eat the crops. He suggested turning his cotton property over to crops and harvesting the beautiful parrots and cockatoos that come for the seed.

Australian birds, which are prohibited exports, fetch up to US$500 each on the black market in New York.

Patricia Newby



Trucks loaded with cane being hauled to a raw sugar mill, near Mackay, North Queensland. Sugar mills operate about 2,200 miles of light railway to transport cane

Shearing year-old Cormo sheep at Dungrove, near Bothwell, Tasmania

America's Cup

Prestige is name of the game

THE SEA breeze slanting across the Indian Ocean into Fremantle carries a pleasant aroma of money.

Far out in the blue, beyond the new yacht harbour, two perfectly trimmed sails are slicing prow-by-prow to windward accompanied by the inevitable launch scurrying like a terrier besides them.

Today it is the New Zealand contenders for the America's Cup out on a routine practice: two identical 12-metre yachts with as near as possible identical gear and crews. That is how the Kiwis test whether a slight twist on the winch, or another half inch on the spinnaker guy, will gain that vital second needed for victory in February.

Ocean yacht racing was once described as the equivalent of standing under a cold shower tearing up five pound notes. But the next series of America's Cup races, off the Western Australian coast, is more like a military operation, with the costs beginning to look like the yachting counterpart of Star Wars.

Many of the syndicates behind the 14 contenders for the cup have doubled their estimates of costs in the last couple of years, partly because of the fierce standard of competition set by the Perth-based entrepreneur, Mr Alan Bond, whose wing-keeled Australia II wrested victory from the US in 1983.

His crew is training through the Australian winter, rain or shine, with the precision and discipline of a naval gun crew. At the same time, the constant search for another whisper of speed has led to heavy expenditures on research and development into sails, gear and hull design, and finishes.

The cost for the leading syndicates is now estimated to be running at between A$10m and A$20m, not to mention the big corporate expenditures for transporting and entertaining top brass and their guests who will be watching.

Port charges alone for the 15 cruise ships expected to steam in for the event will amount to some $500,000. And that is before the guests have eaten a single lobster.

All this is very good news for most people in Fremantle, particularly, by the look of it, the painters and decorators. They have been out in force, smartening up the pleasant jumble of Colonial Edwardiana in the narrow streets by the waterfront. After years of genteel neglect, Fremantle looks like a town that has come into a bit of money and is determined to enjoy itself.

However, higher rents, and perhaps some resentment of imported opulence has also promoted protests against the event.

The style of refurbishment is set by the 1897 Esplanade Hotel, down by the fishing harbour. Its fine stylish wooden galleries, resplendent in a new livery of coffee-and-white, proclaim that it is already well prepared for the influx of the blue blazer brigade next summer. Just up the road, the public sector is doing its bit by pulling apart and restoring the old colonial town hall as a central focus to the port.

In Fremantle, 10 major building projects have been undertaken with an estimated total cost of around A$35bn. However, the total benefit of America's Cup fever to Perth, Fremantle and the surrounding area is much greater. The America's Cup office, set up to coordinate the Commonwealth and state administration of the project, estimates that the total direct and indirect benefit could be as much as A$1bn.

Some 500,000 extra visitors are expected to make the trail to the West Coast during the race period, between October and February: almost twice the usual number.

Flashback to Newport, Rhode Island, 1983: Alan Bond (left), chairman of the Australia II syndicate, with Prince and Princess Michael of Kent during a tour of the Australia II dock—but the yacht's keel remained a secret.

This has stimulated a large programme of hotel building and refurbishment, as well as a major increase in public spending on roads, a port railway, housing, telecommunications, a new yacht harbour and other projects.

In addition, substantial sums will be spent on specific facilities needed for the race—A$1.3m for converting an old hockey hall to house the expected influx of 1,000 journalists in air conditioned comfort; money for 250 extra police on land, and harbour patrols; not to mention facilities for 20 helicopters which TV crews and the richer yachting correspondents will commandeer.

The Commonwealth Government has provided A$30m in direct aid towards these projects, while the Western Australia Government has brought forward a number of major projects to bring total public spending for the America's Cup to A$80m.

Officials point out that this expenditure is modest compared with spending on events like the Olympic Games. Moreover, most of it will be of continuing benefit, unlike some of the huge but little-used stadia that have been built for prestige events.

The building of a new harbour, optimistically named "Success," will not be wasted, even if the unthinkable happens and Australia loses the cup, sending the sleek-hulled racers back across the oceans to Newport Rhode Island, or, who knows, to Cowes. Fremantle's fast-expanding fishing fleet and its even faster growing band of yachtsmen will quickly fill up all available berths.

It is less obvious who would fill up the 6,600 new rooms in Perth's rapidly enlarged hotels after the yachtsmen have sailed away. However, Mr David Berry, deputy director of the America's Cup Office, believes that, win or lose, the event will give a sharp boost to tourism in the area

The other expected pay-off is in the corporate sector. For few of those connected with the event are naive enough to believe that the America's Cup sponsors are entirely—or even mainly—driven by the high romance of wind, salt spray and the grace and power of tall-masted yachts.

Next year's America's Cup series, with its 500-to-600 preliminary races, promises to be not only much longer but more of a corporate showcase than any previous challenge. Mr Alan Bond has shown the way by equipping his Australia II with an enormous Swan Lager spinnaker, which can be hoisted only *after* the race.

The Kiss Organisation of France has infiltrated some cheeky advertising by calling its yacht *French Kiss* and its motor launch *Kiss Me Tender*. There are no prizes, say West Australian wits, for guessing what they call their escorting helicopter.

But the sport of slipping brand-names past the rules committee is only a sideline. The name of the main game is "prestige." Hundreds of chairman and chief executives, from all over the world, are expected to gather next summer in exceptionally pleasant and relaxing surroundings. Business may be done, contacts will be made, with, it is hoped, major intangible benefits for corporate Australia, particularly the West.

As one official said: "Many of these people will never have been to Western Australia before. When they get here we hope that they will be pleasantly surprised. It will make Perth a centre that they know about."

Max Wilkinson

Tourism

Plenty to explore

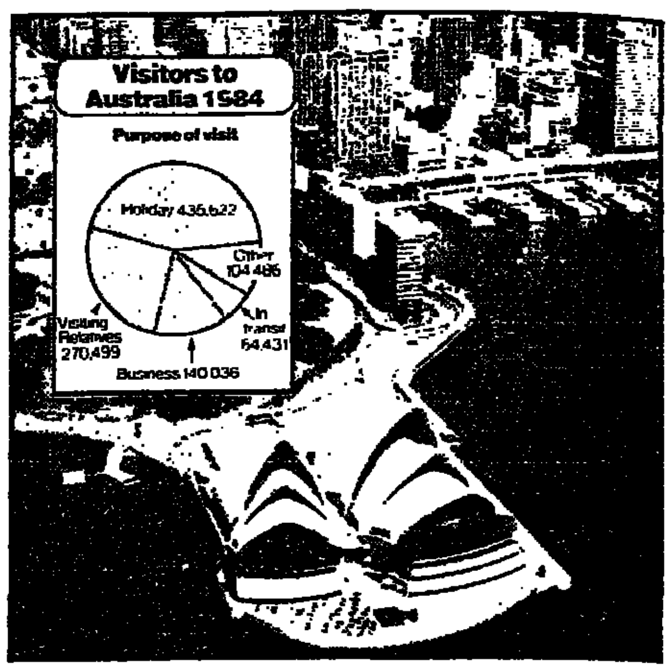
"YOU LOOK like you need a holiday." Paul Hogan, the archetypal blonde, bronzed Aussie, has been telling American television viewers for the past 18 months. And Australia, he says, is the place to take it.

Hogan, who is selling Fosters Lager to the British for a very large fee, did not take any payment for his part in the enormously successful Australian Tourist Commission (ATC) advertisement.

His success in selling his country, which he honestly believes is God's Own, has made him something of a cult figure in the US where he was recently given the keys of the city of Los Angeles.

Hogan winds up the (ATC) advertisement by saying: "Come on over. I'll slip another shrimp on the barbie" (barbeque). And Americans have accepted his invitation—in their thousands.

In the last six months of 1985, the issue of tourist visas to Americans was up 40 per cent. After growing by only 5 per cent in 1984, the number of US tourists to visit Australia in 1985 was up 27 per cent to 205,000 and this year is expected to be up another 35 per cent while tourism to Australia overall is expected to increase 14 per cent.



Sydney's famous Opera House juts out into the harbour

Qantas reported a 40 per cent increase in US business in the year to end March and is now flying 18 747s a week to and from the US. Other carriers plying the Australia-US run report an upsurge in US business.

In the wake of the US bombing of Libya at least two US conventions scheduled for European cities have had their venues switched to Australia.

Australia has come of age in the tourism business. Late to start, anxious that perhaps this country didn't justify the airfare, Australians have realised that they do have something to sell.

Apart from the fact that shrimps are actually called prawns, the US tourist almost certainly find that Australia is as "Hoges" tells it. He offers Ayre's Rock, wide open spaces, the beach, Sydney Opera House and the great Australian barbeque.

As he says, the people more or less speak the same language. And importantly, Australia is a safe, friendly destination in an increasingly hostile world.

Australia is perceived as one of the last unexplored places on earth, but with the infrastructure for tourist comfort. "It's wilderness with a bathroom," according to one American tourist.

Japanese tourism to Australia is also growing strongly. After a 27 per cent increase to 112,000 last year, tourists from Japan are expected to rise another 25 per cent this year. Surfers Paradise on the Gold Coast of Queensland is now second only to Hawaii as an overseas destination for honeymoon couples.

Tourism from the UK and Ireland grew by 8 per cent last year to 162,000 and mostly remains, in tourist parlance, in the VFR category — Visiting Friends and Relatives.

Tourism contributes 5 per cent to Australia's GDP. Overseas visitors spent about A$1.5bn during the last financial year. As manufacturing continues to shed labour, tourism is seen as the main hope for mopping up the pool of young, unskilled workers.

Behind the marvellously casual atmosphere of the Hogan advertisement was a hard-nosed professional operation by the ATC which has had its budget increased over the past five years by 160 per cent, to A$26m in 1985-86.

If the advertisement did not generate a predetermined level of inquiries in a certain area it was switched to another part of the US to maximise the television advertising dollar. Over an 18-month period the ad triggered more than ½m inquiries.

The ATC campaign in Japan, which is just being formulated, is likely to be very different from the Hogan-style in the US. The target audience has been identified as young, unmarried Japanese female clerical workers aged 19-29.

Probably still living at home, they may be prepared to spend some of their reasonably good income on visiting Australia. From there, Australia hopes to pick them up for life. They may choose to honeymoon in Australia, perhaps bring their children back for a trip and come again with their husbands on retirement.

Entrepreneurs are gearing up to provide international standard facilities for the expected 1.3m tourists who will visit this year, not to mention the highly lucrative corporate trade.

About A$6bn is being spent in Australia on construction of 22 international standard hotels with more than 6,700 rooms.

The 34-storey Hyatt on Collins, which is due to open in Melbourne this September, will be the world flagship of Hyatt International Hotels.

The hotel will be managed by Hyatt, but is being built by an Australian consortium which has apparently spared no expense, confident of the growth in corporate and up-market tourist business. From its imported marble lobby to its three direct-dial telephones in every room, it is a symbol of the new era of luxury hotels.

If plush hotels are not your choice, you can go camping in tents in the Outback or trek across the desert on a camel or just lie on the beach.

All the coastal cities, Perth, Darwin, Brisbane, Sydney, Melbourne and Adelaide, offer the beach at the front door and the Bush at the back. The State of Tasmania is part of the world's natural heritage containing some of the last wild rivers on earth.

Tour operators package everything from farm holidays to skiing in the Snowy Mountains to the America's Cup. As Hogan says, all the tourist has to do is learn to say G'Day.

Patricia Newby

Doing Business

How to have a G'day

SINGAPORE'S Prime Minister, Mr Lee Kuan Yew, on a recent visit to Australia said most Asians see their Australian neighbours as big beef eaters with large wallets, formidable thirsts and little appreciation of Asia beyond its cheap cameras and TV sets.

Australia's inability to come to terms with its place in Asia and perhaps Asia's inability to understand the Anglo-European-based colony in the far flung Antipodes, is handicapping trade and growth prospects for the whole region.

Mr Lee suggested that after long years as a "reflective civilisation" firstly of Britain, then the rest of Europe, and now America, Australia should seek to become a primary rather than a derivative society.

In fact, conservative Australia's xenophobia, especially towards Asians, is gradually declining. Australians are proud of their way of life and the vast increase in recent years of tourism everywhere has made them more tolerant of other people's customs.

Australians are big eaters and drinkers with plenty of disposable income for sport, gambling, entertainment and electronic gadgetry. They are also given to swearing with a flamboyance that startles European and Asian alike. But once acclimatised, doing business in Australia is mostly straightforward. And for Americans, it's a piece of cake.

Strikes do occasionally disrupt the airlines, but mostly public transport is efficient. The phone system is excellent, and includes extensive interpreter services. Most modern hotels provide the services businessmen need including telex, photocopying and facsimile transmission.

The American habit of wishing everyone a nice day several times a minute has become widespread in hotel Australia, as has the habit of "service" people identifying themselves by name. Instead of the disembodied "Operator" that used to answer the hotel phone, you now have, "Hallo, operator Anne speaking" or "Hallo, this is room service, Sally speaking."

Informality is the rule, from Prime Minister Bob (not Robert) Hawke down.

"Europeans need to loosen up. Australians are intimidated by formality," according to Laurie Bongiorno, the general manager of the Hyatt on Collins Hotel in Melbourne.

Trying to be relaxed and informal when you can't understand the accent is, of course, a problem.

One English visitor reported understanding only about 25 per cent of what was said when he first arrived. And an American businessman said, "I don't know if Australians talk too fast, I just know that I hear slow."

Australians have perfected the art of speaking without moving their lips. All vowels sound much the same (or sime as it would be pronounced Down Under).

An Englishman who was buying Australian films remarked on the unusual name when he met someone called Rye. Actually, the man's name was Ray.

G'Day (from Good day) is the standard greeting. There is also much argot or slang with which to contend. But businessmen usually have their own language and on the whole most foreigners agree that Australians are very open, friendly and frank.

What you see is what you get. There is rarely any hidden agenda in conversation. If an Australian does not agree, she/he will say so. In fact Aussies can be disconcertingly, if not brutally, honest in British, European and Asian eyes. The manner seems to be understood by Americans.

For example, an English person might signal disagreement with, "Do you really think so?" An Australian is likely to thump the desk and shout "Rubbish" or a far more vulgar expression.

If Australians want to know something they will ask a direct question and they give straight answers. According to one European diplomat, Australians lack deviousness to the point of naivete.

Just as there is no hidden agenda in conversation, there are generally no behind-the-scenes kick-backs, secret commissions, or bribes.

Australians are enthusiasts, so if somebody warmly recommends a product or venue, there is no need to be suspicious of secret commissions. Australians of European origin will recommend a family member where possible, but this is usually obvious, and in any case, sound business.

There have been some spectacular accusations of corruption recently in relation to drug trafficking, but for the legitimate businessman, corruption is not a problem. The plethora of rules and regulations on taxation, foreign investment, export controls and so on do require study, but (some would say unfortunately) you don't cut red tape by bribing officials.

The business lunch is a regular feature of Australian life although it has just been axed as a corporate tax deduction. Business lunches tend to occur between established business contacts, rather than to secure new business.

It is perfectly acceptable to do business without feeling obliged to take a contact out to lunch. Government officials may feel it ethical to refuse a lunch where large government purchasing contracts are involved.

In the private sector, a free lunch is usually appreciated. But Australians don't like feeling under obligation so, if possible, allow an opportunity for the Australian to repay hospitality by taking you to the football, or the races or boating on Sydney Harbour.

Australians love to show off their country. The so-called "cultural cringe" of previous eras is over. Aussies are proud of their food, restaurants, wine, cities, theatre, films, ballet, opera, the beaches, all sports events, their own houses, even the countryside.

An excellent way of escaping formality at the office is to express interest in any feature of Australian life and an invitation will probably be forthcoming.

To tip or not to tip? Some Australians claim they never tip anybody ever. And certainly wages are set at levels that mean workers in service industries do not have to rely on tips in the way they do in Europe.

In general, one doesn't tip taxi drivers except to save the bother of waiting for small change. Tipping in hotels seems to be on the increase and it is probably better to tip than not to tip.

At restaurants it is customery to leave a tip of perhaps 5 to 10 per cent. Visiting businessmen who over-tip may annoy Australian acquaintances who don't want expectations raised in the service industries.

For businessmen who feel uncomfortable not tipping, the rule is tip, but less than you would at home

Patricia Newby

FINANCIAL TIMES JOBS

Thursday June 5th 1986

Why personality counts most in the race for the top

BY MICHAEL DIXON

WHICH OF the following two couples would you expect to make the more successful marriage? A pair whose personalities are much the same. Or a couple whose personalities differ.

I ask because of a chat I had the other day with Professor Ray Cattell, one of the world's best known authorities on the topic. *If you have had your personality tested,* it is probable that the tests you took included the one he developed. It is called the 16PF because it assesses 16 different personality factors.

Even readers who have so far escaped personality tests have a fair chance of being confronted with one if they try for a new job. Such tests are in growing vogue among employers.

Many of them believe that success in a job depends greatly on the recruit's personality fitting the demands of the work, especially in top positions where the fit is often thought more important than technical skill. The belief is not necessarily true. Nobody can be sure even that such a thing as personality exists. However many people you cut to pieces, you could no more find their personality than you could their soul. But if employers believe that personality exists and matters crucially, then it might just as well do so—as far as job candidates are concerned, anyway.

In that case, Cattell's test can claim to be one of the soundest devices for assessing the crucial element. In its 36 years of use the 16PF questionnaire has been completed by millions of people. Vast experience lies behind its predictions of how a given mix of personality traits is likely to get on in various types of job, or with different kinds of people.

The reason why marriage came up during the talk with the 82-year-old professor—who was in London for a seminar at the Independent Assessment and Research Centre—lies in the question I put to him at the outset.

When top people use a personality test in selecting senior colleagues, they do not necessarily use it with the aim of picking those whose personalities fit the demands of the job in an objective sense. So I asked Ray Cattell if he agreed that organisational chieftains often use the test primarily as an aid to filling their senior subordinate posts with people like themselves.

"Sure," he replied. But he added that maintaining the same kind of old boy net might be no bad thing "if chiefs need to get on with their nearest colleagues."

Take married couples for example. His test evidence was that a pair with different personalkties had at best a 50-50 chance of a successful marriage. The chance of a couple with similar personalities was well above evens, about 40 per cent better in fact.

"It's a finding that puts paid to the myth that, in human affairs as in physics, opposite poles go together and like poles are at odds," the professor said.

While the finding does that much, however, I cannot see that it explains why, when selecting senior aides, those at the top seem so heavily to prefer people like themselves to people of a different mould who have technical skills which the existing directorate lacks.

Real reason

*The reason for such a wide*spread practice surely cannot be just the aim of harmonious relations in the executive offices. Many organisational chieftains do not get on at all, let alone well, even with those one notch below them. Numerous chiefs isolate themselves within their own company, keeping every other inhabitant at best at a stiff arm's length. Yet they often still choose subordinates very much in their own image.

The real reason probably lies in a fact about work at the peak of organisations which seems to be little appreciated in their middle and lower ranks.

In the conventional interpretation, work at the peak is seen as consisting of cleverly deciding strategies for the company and motivating those below to carry them out. But that interpretation is a myth.

Even chiefs who behave like Ivan the Terrible within their own premises would usually be quite unable to do their job if *they did not get on well with* other people. In their case, it is just that the other people they need to get on with do not include those working in the same organisation.

For work at the peak consists, at least as importantly as anything else, of fixing things with eminent people in other fields including politicians, mandarins and even well connected lounge lizards as well as customers, financiers and so on.

The need for top executives to develop and maintain such contacts is well documented. Take for example the study by the American researcher Jeffrey Pfeffer reported in the April 1976 edition of the Academy of Management Review. He found that at the highest rank — which he calls the "institutional" level as distinct from the "administrative" and "technical" levels farther down — the task of managing relationships with the heads of external organisations was frequently critical to a company's survival.

"*Organisations are open social* systems, engaged in constant and important transactions with other organisations in their environments," he says. As such, a company lacks control over many of the important factors which affect its operations. "One of the principal functions of the institutional level of the firm is the management of this interdependence and uncertainty."

Knowing that, capable chiefs are aware of the importance of having senior subordinates whom they can trust to understand and co-operate in doing the essential contact work. But they also know that such abilities are different from the administrative and technical skills needed lower down. So how can they best choose effective top-level colleagues?

The question was answered succinctly by another American researcher, Melville Dalton in his book Men Who Manage*:

"Wittingly or not," the typical chief "begins to look for attitudes like his own as assuring a basis for understanding and co-operation," he reports. "With considerable scientific support, his search moves on the assumption that those with qualities and interests like his own will think as he does."

So there is evidently sound sense behind top executives' tendency to fill their upper offices with people like themselves, and behind their use of personality tests with a view to doing it more accurately. Otherwise their outfit might cease to be effective at the high-level contact work and perhaps lose its economic capability to provide jobs at all. Much the same applies, albeit in different ways, in the Soviet Union and other collectivist countries as well as in western-type democracies.

But, however much the maintenance of the old boy net may help organisations in stable conditions, it is liable to do the opposite when the environment *changes*—as it is evidently doing across most of the older industrialised world today. And one common trait of top people is a reluctance to step down in favour of different folk more in tune with the new state

That observation may explain why the economists Mancur Olson has argued that the main reason for the post-1945 success of Japan and Germany was not that the war destroyed their factories which had to be rebuilt with modern machines, but that it broke up their outdated old boy networks. Let's hope we do not need such drastic assistance in re-equipping ourselves with a leadership appropriate to the times.

**Chapman, 1959.*

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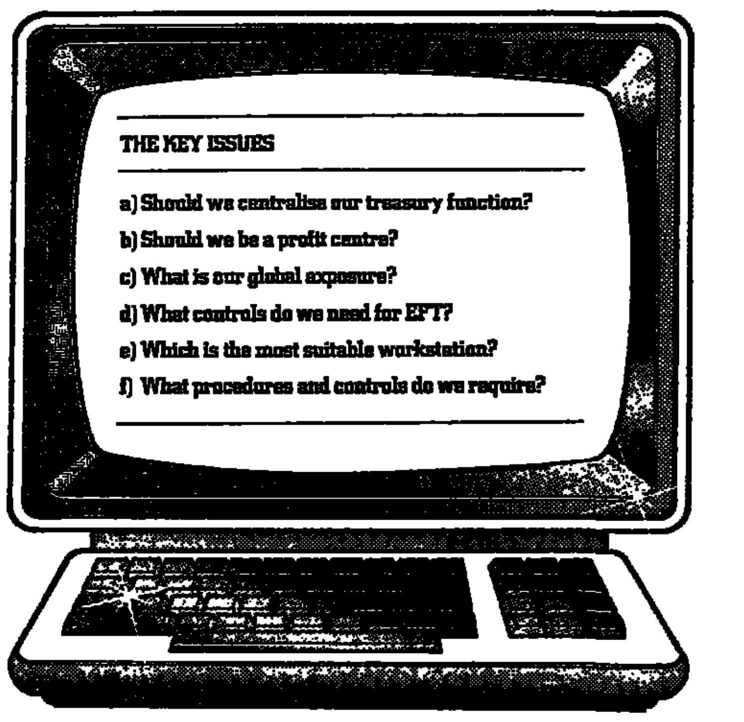

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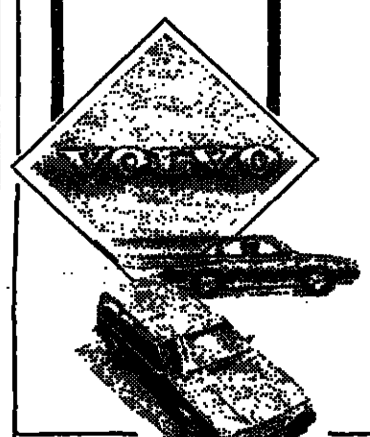

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Total remuneration will be commensurate with the importance and seniority that the company attaches to this position, and will include a significant salary, generous bonus, non-contributory pension, free life assurance, private health scheme and car.

The long term career opportunities are excellent and an Associate Directorship with equity share should be achievable in two years.

Applications, including full c.v. should be addressed to Margaret Barsham at The Corporate Consulting Group, 24 Buckingham Gate, London SW1E 6LB.

BERMUDA–BOSTON–HONG KONG–JERSEY–LONDON–NEW YORK–SAN FRANCISCO–SYDNEY–TOKYO

Fidelity INTERNATIONAL

Switch to Japanese Equity Research

A major International Securities House with a leading position in the Japanese Market *seeks an able young analyst from a stockbroker or an institution to* complement their expanding research team in London.

The position will involve close contact with analysts in Tokyo, visiting Japan regularly and liaising with the London based salesmen. This is an excellent opportunity to switch to an exciting growth market. Salary will not be a limiting factor for the right individual and long term career prospects are outstanding.

Please contact Emma Weir who will treat all enquiries in confidence.

Stephens Associates

Investment Search & Selection Consultants

44 Carter Lane, London EC4V 5BX. 01-236 7307

Representative Associates New York & Tokyo

Jonathan Wren

CORPORATE INFORMATION MANAGER

£ negotiable

Our client, an international credit rating agency, is staffing its new London office which will represent the company in both Europe and the Middle East.

An important factor in the smooth running of this operation will be the recruitment of a tri-lingual individual (English, French and German). The incumbent will be capable of responding to enquiries from investors on all securities rated by the agency, distribute press releases to the Euro-media, and provide liaison with analysts in New York. Background should include customer services.

Applicants aged 25 to 35 years, will possess an outgoing personality and an active interest in *international finance and securities to provide in-depth information with tact and diplomacy.* **Contact Richard Meredith.**

All applications will be treated in strict confidence.

SYDNEY — HONG KONG

Jonathan Wren

Recruitment Consultants

170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266

MANAGING DIRECTOR

West London **c£50,000 inc. profit share**

- You are the true entrepreneur — motivated by profit and preferring to be rewarded by results.
- You are not necessarily an accountant but you understand what constitutes real profit.
- You are not necessarily a salesman but you perform most effectively in a sales-led environment.
- You do possess demonstrable experience of growing a business.

Your challenge is to develop a whole new activity for a profitable, dynamic plc within the communications equipment industry. With blue-chip clients, an existing framework and a prestigious name, you will employ your flair to add another successful Division to the group.

If you are looking for security, this may not be the role for you. But if you are a risk-taker you will be well rewarded with a generous basic salary, a performance related bonus, a company car and, in the medium term, an appointment to the Board.

Write briefly or telephone Nicolas Mabin, Regional Manager, quoting reference: CG0172. *This job is open to men and women.*

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, London EC2A 1AD.
Telephone: 01-256 5041 (out of hours: 01-809 2783)

LOUGHBOROUGH UNIVERSITY OF TECHNOLOGY

Department of *Management Studies*

LECTURER IN LAW AND PRACTICE OF BANKING

Applications are invited for the above established post. The primary responsibility will be to lecture to the undergraduate course in Banking and Finance, although the appointee will be expected to carry out a vigorous research programme. The appointee will also be an Associate Member of the Loughborough Banking Centre, a post-experience teaching and research centre established jointly with the Department of Economics.

Applicants should possess a relevant degree and/or professional qualification and banking experience. Initial salary will be in the lower half of the Lecturers' scale, *£8,020 — £15,700* (under review from 1st April, 1986).

Further details and application form from Paul Johnson, Establishment Officer, quoting ref: 86/21MS. Applicants may telephone Professor Geoffrey Gregory (0509 263171, ext. 450) for informal discussion.

Loughborough *Leicestershire*

Treasury Planning Manager

Neg. to £28,000

Our client, an established and rapidly expanding UK bank, requires a Treasury Planning Manager to develop further its treasury activities.

Reporting to the Treasurer, and with the support of a small, high quality team, the successful candidate will be responsible for economic analysis, forecasting and advice on city markets; the development of balance sheet strategies and new products; bank and public sector credit, and country risk analysis.

Applicants, who will have a related degree and/or professional qualification, should have relevant treasury experience, ideally gained in a bank or investment institution, and must have the personal qualities and skills to make a major contribution to the direction and effectiveness of the treasury operations. Career prospects are excellent for the right person.

Candidates interested in this challenging role should contact Fiona Collins on 01-404 5751 or write to her, enclosing a CV, at 39-41 Parker Street, London WC2B 5LH, quoting reference 3635.

MP
Michael Page City
International Recruitment Consultants—London Brussels New York Sydney
A member of the Addison Page PLC group

Gilt-Edged and Fixed Interest Sales

Our client, acknowledged as one of the leading London securities houses, wishes to recruit experienced individuals to further strengthen the gilt-edged and fixed interest sales teams for its primary dealership.

Candidates will be aged between 23 and 28 years and will have 2-3 years' experience of selling gilt or fixed interest stocks to UK and international clients.

A high performance is required and to attract and reward persons with the necessary skills an extremely competitive salary with bonus scheme and other fringe benefits are offered.

Please apply in absolute confidence to J.F.T. Baines, Marlar International Ltd., City Office, 12 Well Court, London EC4M 9DN. Tel: 01-248 9614. Executive Search Consultants.

MONEY MARKET TRADER

London Based

Excellent remuneration

Our client, an autonomous subsidiary of a significant multi-million pound organisation, is one of the City's leading Investment Banks. The company has enjoyed consistent growth during the past few years and projections for the future are impressive to say the least.

The Money Market Trader function forms an integral part of our client's business and therefore performance is of key importance. They now wish to appoint an experienced Money Market Trader whose career to date can demonstrate above average performance.

The successful candidate will be primarily involved in CD, Bill and Deposit trading but will, in addition, be expected to make a major contribution to the already established trading team.

This key post carries an exceptional remuneration package together with comprehensive benefits and significant future prospects.

Candidates should apply, in strict confidence, listing any companies to whom applications should not be forwarded, to: JPW Recruitment Advertising Ltd., Ludgate House, 107-111 Fleet Street, London EC4 2AB.

JPW
Recruitment Advertising

A Leading Arab International Bank requires an

EXECUTIVE MANAGER

as Head of its Private Banking Division

Age Range:	35-40
Qualifications:	Good degree, possibly MBA
Previous Experience:	Several years experience in personal banking, investment services and securities Previous employment should include work with or exposure to major U.S. and/or European Banks International experience with special emphasis on exposure to Middle East customers Familiarity with a strong marketing orientated business environment Possibly some time as a member of a " high net worth " banking division
Personal Characteristics:	Mature, capable individual able to maintain the credibility of the function and work effectively with top management of the Bank Dynamic and motivated person with excellent communication skills (total fluency in Arabic is a must), personal presence and integrity
Location:	At the Bank's Head Office
Compensation Package:	Attractive and according to qualifications

Send your C.V. to:
Box A0156, Financial Times
10 Cannon Street, London EC4P 4BY

Financial Management

Home Counties **c.£18,000 - £22,000 Plus car + benefits**

Our client is Northern Telecom, the global leader in the design, manufacture and distribution of fully digital telecommunications systems and integrated office systems.

Currently their UK and European operations are undergoing a major development and expansion programme.

The Company now wish to strengthen their financial function by recruiting two graduate qualified accountants/MBA's to assume management positions in Policy, Planning and Financial Control.

These positions will offer the successful candidates unique opportunities for developing their careers either in the United Kingdom, Europe or North America. Previous experience gained within a large/multi-national company is essential.

Interested applicants should write, enclosing a full CV and quoting reference number 11/133 to:—

AGB Executive
173 SLOANE STREET LONDON SW1X 9QG

Sales and Trading

Australian Dollar Securities

Interesting Opportunity in an Exciting and Demanding Environment

Citicorp Investment Bank Limited is establishing a trading and sales desk in Domestic and Euro Australian and New Zealand dollar denominated securities in London.

As a member of a highly professional team based in London you will work closely with the securities teams in Australia and New Zealand. Ideally you will have a general sales or trading background, preferably with 3 to 5 years' dealing experience. Familiarity with Australasian markets is not essential but would be advantageous.

This is an excellent opportunity to join a successful, expanding unit and an attractive compensation package will be offered to the successful candidate.

Please write with personal and career details to: Miss Hanneke C. Frese, Senior-Personnel Officer, Citicorp Investment Bank Limited, 335 Strand, London WC2R 1LS.

CITICORP

INVESTMENT ASSISTANT

LLOYDS UNDERWRITING AGENCY

Fast growing, successful and independent managing agency wish to appoint an assistant to the Investment Manager who will be involved in all aspects of the investment administration of institutional portfolios and Private Client funds. The ideal candidate will have a degree or good educational background preferably aged 21-28 with several years' experience in a similar capacity. This position offers good career prospects in the insurance industry with particular emphasis on the Lloyds Market.

Please send full CV together with details of current remuneration in confidence to:

C. G. Ward, Manager Designate
BARDER & MARSH SERVICES LIMITED
Duke House, 6-12 Tabard Street, London SE1 4JU

Senior Dealer Investment Managers

£30,000 to £50,000

Our client is a highly regarded investment management group with over £2 billion in the UK equity market. They seek an experienced dealer to take up an important new position.

Probably aged 28 to 45, candidates should have sound experience of dealing in UK equities, ideally gained within stockbroking. Initiative, flair and management potential are essential qualities.

The position will involve working closely with senior management in formulating strategy, liaising with fund managers on day to day dealing and taking over responsibility for block trading. It is envisaged that this challenging appointment should appeal to a self motivated individual who now seeks the scope to play a key role in the development of dealing activities for a well-known City company.

Please contact Anthony Innes or Fiona Stephens who will treat all enquiries in confidence.

Stephens Associates
Investment Search & Selection Consultants
44 Carter Lane, London EC4V 5BX. Tel: 01-236 7307
Representative Associates New York & Tokyo

MURRAY JOHNSTONE LIMITED

Pension Fund Marketing

Murray Johnstone is one of the largest independent fund management groups in the UK with an excellent investment performance record.

Due to our current success, we require an additional pension-fund marketing executive to help support the promotion of our services to prospective clients through professional intermediaries.

We are looking for someone with sufficient knowledge and experience of investment management, maturity and communication skills to represent Murray Johnstone effectively to a knowledgeable and sophisticated audience.

It is envisaged that the successful candidate will spend an initial period becoming familiar with Murray Johnstone's approach to investment. It is essential that candidates can operate successfully as part of a team.

The appointment will be based in Glasgow but entails considerable travel within the UK. An attractive remuneration package will be negotiable for the right candidate.

Please write in confidence enclosing a full c.v. to:
J.R. Johnstone Esq., Managing Director, Murray Johnstone Limited, 163 Hope Street, Glasgow G2 2UH.

HARLOW UEDA SAVAGE LTD

are aggressively seeking young experienced foreign exchange staff for their overseas offices.

Suitable candidates should expect lively, interesting work. Employment is sought for the following financial centres:—

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If you feel you can fulfil the demanding requirements, please apply in writing, giving full details, to Mr Noel Blows, Adelaide House, London Bridge, London EC4R 9EQ, or phone 01-626 7890.

In order to facilitate a proper interview process with the local directors of these centres, in addition to Mr Blows, candidates are notified that interviews will not take place before mid-June.

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A major London Commodity Trading House requires a Vegetable Oil Trader. The experienced applicant will have a proven track record in this field. He will be able to contribute positively to a successful established Trading Team.

An attractive salary package with usual benefits included will be made available to the successful candidate.

Apply in the strictest confidence to
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Telex No. 894038

Commodity Appointments Egmont House **01-439 1701** 116 Shaftesbury Avenue London W1

SPOT FX DEALER

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IN THE CITY

Candidates with a minimum of 3 years' active spot dealing experience in a major currency, and a strong educational background only need apply

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35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-638 9216

Excellent career prospects within the U.K. and international offices

TPF&C ACTUARIAL CONSULTANTS

LONDON **£35,000 + BENEFITS**

TOWERS, PERRIN, FORSTER & CROSBY, the expanding firm of International Actuarial Consultants and a major employer of Actuaries throughout the world, is seeking Senior Actuarial Consultants for its U.K. operations. Candidates, likely to be aged 30-40, should be qualified Actuaries with at least seven years' experience in all aspects of the design and control of pension/employee benefits plans. A practical knowledge of sophisticated computer applications and a language in addition to English would be an advantage. The ability to communicate in a clear, concise manner, together with commitment, energy and enthusiasm are considered essential qualities. The remuneration package will be attractive to those currently earning a minimum of £35,000. Applications, in strict confidence to: **Mr Alastair McLean, FIA, ASA, Vice President, Towers, Perrin, Forster & Crosby, 110 Jermyn Street, LONDON SW1Y 6HB.**

A challenging appointment, scope to advance to the main board within 3-5 years

FINANCE DIRECTOR

LIVERPOOL **£24,000–£32,000 + CAR**

BIBBY LINE LTD – EXPANDING IN SHIPPING, OIL, TRANSPORTATION AND FINANCIAL SERVICES

This appointment is in Bibby Line Ltd, which is the Managing Company of Bibby Line, and calls for accountants (C.A. or A.C.A.) aged 35-45 who have acquired at least 7 years practical industrial or commercial accounting experience and not less than 2 years heading the financial operation of a company whose turnover exceeds £10 million. The successful appointee will be responsible for the total finance function and will cover, through a small team, the treasury function, bank relationships, syndicated loans, mergers and acquisitions etc. The major bulk of work will centre initially on management information and new projects. A high level of commercial acumen and the ability to make a significant contribution to the company's continued development is important. Initial salary negotiable £24,000–£32,000, car, contributory pension, free life assurance, free family PPP, assistance with relocation expenses if necessary. Applications in strict confidence under reference FD109/FT to the Managing Director: ALPS.

Opportunity to set up training function from scratch – prospects exist to reach the Board.

CJA

TRAINING OFFICER

CITY **£18,000–£25,000 + BONUS + MORTGAGE SUBSIDY**

MAJOR INTERNATIONAL MERCHANT BANK

Applications are invited from candidates, aged 30-45, who have acquired not less than 7 years practical training experience, preferably in the financial services field or allied area, and at least 2 years actually running courses. Responsibilities will cover the implementation, co-ordination and planning of the Bank's training world-wide, involving establishing general induction courses and programmes for graduates and specialists in specific areas. Courses will take place both in-house and externally, using both internal personnel and external consultants. The ability to advise and guide senior management on meeting and achieving their staff training requirements is important. A lucid and positive approach plus the ability to set priorities is key to the success of this appointment. Initial salary negotiable, £18,000 – £25,000 + bonus, mortgage subsidy, non-contributory pension, free life assurance, free family medical cover, assistance with removal expenses if necessary. Applications in strict confidence under reference TO4422/FT, to the Managing Director: CJA.

35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX NO: 01-256 8501.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT PLEASE TELEPHONE 01-628 [illegible]

DYNAMIC DEALERS IN BONDS EQUITIES FOREIGN EXCHANGES COMMODITIES

If you are aged between 23-33, allow us to market your services in the strictest confidence

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For further information call:

Louise Hunter
01-248 4864
Jane Liversidge
01-248 5205
Daniel Berry
01-248 4782

RECRUITMENT CONSULTANT

We are a well established consultancy, specialising in recruitment and search in Capital Markets, Treasury and Foreign Exchange, Stockbroking and Fund Management, both in London and overseas. Our client base is well established, comprising Merchant and International Banks, Stockbrokers, Fund Management Companies and Pension Funds.

We are seeking an additional consultant who will:—

- either complement one of our existing areas of recruitment,
- or alternatively an established consultant in a different discipline, but whose recruitment activities are in the City/Financial Services sector.

The ideal candidate will have a minimum of two years consultancy experience, and be looking for the opportunity to enhance their career by moving to a highly professional and expanding consultancy. The salary package will be negotiable according to the individual appointed.

Applications should be sent in confidence to:-

Roger Parker Organisation
65, London Wall
London EC2 5TU
01-588 2580

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Controller Director Designate

Hampshire ***c.£27,000, Car, Benefits***

This British company is an international market leader in the development and manufacture of electronic inspection, measurement and protection equipment. Due to organic growth they intend to appoint an exceptional individual who can assume full responsibility for the strategic direction and control of the company's financial affairs. An emphasis on management accounts, consolidation of overseas subsidiaries, together with all aspects of producing yearly accounts is required. The position offers a Directorship on the main board within 18 months.
Candidates aged 30-40 with a background in manufacturing should be FCA with proven financial management techniques and be able to offer a high level of commitment and self motivation. Outstanding career prospects and rewards can be expected for the right individual.

Male or female candidates should submit in confidence a comprehensive C.V. or telephone for a Personal History Form to *P.E. Werth*, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*, 01-734 6852, quoting *Ref:49010/FT.*

The British Investment Trust PLC

PORTFOLIO MANAGEMENT

British Investment Trust, the Edinburgh-based general Investment Trust which will shortly be receiving substantial additional funds to manage, seeks additional Portfolio Management.

PORTFOLIO MANAGER

This post demands proven expertise in the management of portfolios, preferably but not exclusively in the U.K. market. This experience will have been gained in an Investment Trust, Unit Trust or similar financial environment. Education to degree and/or professional qualification level is desirable but not essential.
A realistically attractive level of remuneration is envisaged and will include performance related bonuses, a company car and contributory pension scheme.

SENIOR INVESTMENT ANALYST

This post demands expertise based on several years successful experience as an analyst of investment situations.
An attractive salary is envisaged together with the potential for advancement, after proved performance, to a more senior role.

Please telephone or send, in confidence, full C.V. to:—
Michael Hodgson,
Manager,
The British Investment Trust PLC., 46 Castle Street, EDINBURGH EH2 3BR. 031-225 2348.

Junior Investment Manager

Foreign & Colonial Management Limited is an independent investment company managing over £1,500 million on behalf of investment trusts, unit trusts, pension funds, charities and private clients.

Our continuing growth calls for additional strength in our U.K. investment team.

The successful applicant will probably be a graduate, with 1-3 years experience in investment management, aged in the mid-twenties.

The position offers a considerable challenge for the right candidate and great potential for career development. It carries with it a minimum salary of £15,000 per annum.

Please apply in confidence to: Jeremy Tigue, Foreign & Colonial Management Limited, 1 Laurence Pountney Hill, London, EC4R 0BA. Tel: 01-623 4680.

Foreign&Colonial
MANAGEMENT GROUP

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unicef

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With Headquarters in New York and offices throughout the world, working with developing country governments to provide disadvantaged children and their mothers with the basic services they need to survive and develop, seeks

CHIEF OF FINANCE
(New York Headquarters)

RESPONSIBILITY: To assist the Comptroller in the formulation of the Organisation's financial policies and financial decision-making. Develop, when necessary, procedures for the overall financial management of UNICEF. Co-ordinate with other Sections and Offices the conduct of overall financial operations. Manage within UNICEF's policies and guidelines the financial transactions of UNICEF, New York Headquarters.

QUALIFICATIONS: *University degree or equivalent* in Finance and Business Administration. Specialised training in banking, including foreign exchange and international money market. Business administration with EDP familiarity. Readiness to accept functional missions to field offices as required. At least 10-12 years' practical experience in similar position. Fluency in English. Preference will be given to candidates with a further UN language.

Salary commensurate with qualifications and experience. Excellent benefits package.
Qualified women are encouraged to apply.

Send detailed resumé to:
Michael K. Corbett (Ref. VN-781),
Chief, Recruitment & Staff Development Section

UNICEF
866 United Nations Plaza, New York,
NY 10017, USA
(Closing date for receipt of applications ....)

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OPERATIONAL AUDIT

Age 25/32 **FF220.000 +** **PARIS base**

We are a US international company with interests in chemicals, natural resources and consumer services with net revenues of $7 billion.
We are looking for an Audit Senior to join our small selected international audit staff conducting mainly operational audits in Europe, S. America and Far East.
The ideal applicant should be a fully qualified accountant or business school graduate, have post qualification experience with major audit firm, possess the ability to communicate well at all levels, be fluent in English and have good knowledge of at least one European language. Single persons are preferred in view of the 75% travel content, with weekend return to base when in Europe.

Please write with a comprehensive CV to:
W. R. GRACE (FRANCE) S.A. 20, rue de la Ville l'Evêque, 75008 PARIS, FRANCE.

Project Financial and Commercial Manager

c. £40,000 tax-free plus overseas benefits

Jeddah

This British owned Group is an established world leader in the planning, implementation and management of healthcare projects of any size or complexity within consistently high international standards.

The Financial and Commercial Manager will report operationally to the local Programme Director and will have the following key responsibilities: to ensure that the company's best commercial interests are served; administration of the contract and all necessary liaison with the client; implementing and maintaining financial controls of the project; ensuring that all correct legal and commercial procedures and obligations are followed as demanded in Saudi Arabia.

Candidates must be qualified accountants with a minimum of twelve years post qualification experience including five at senior management level. Middle East experience welcomed.

Tax-free salary as indiciated; full overseas benefits including free accommodation; car; education allowance etc; two year contract.

Please write – in confidence – stating how the requirements are met to Lionel Koppen, ref. B.1027.

MSL EXECUTIVE SEARCH LIMITED
International Management Consultants
52 Grosvenor Gardens London SW1W 0AW

GEMCO

SALES PROFESSIONAL

Global Electronic Markets Company (GEMCO), a partnership of McGraw-Hill and Citibank, has a vacancy for a European Sales Executive based in London or Hamburg. This individual will join a *successful team to assist in marketing* the GEMCO electronic commodities trading system in Europe. Applicant must have sales and commodities markets experience. The primary requirements for the job are a good understanding of English, enterprise in seeking out, establishing, and developing potential customers, and extensive international travel.

Salary starts at $40,000 with the opportunity to earn sales commissions in excess of that amount.

Application in English to Mr. Brenton W. Harries, President and CEO, Global Electronic Markets Company, 437 Madison Avenue, 32nd Floor, New York, New York 10022, USA, Telephone: 212-593-1414, Telex: 420323 GEMCO UI.

Senior Foreign Exchange Dealer

Frankfurt – West Germany

SECURITY PACIFIC is a leading US International Bank with assets of over 38 billion dollars and nearly 700 branches worldwide.

In line with the major expansion of our global capital markets and treasury activities we shall expand our European Foreign Exchange activity and seek a further Senior Dealer for our Frankfurt Office.

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At an early stage, the selected applicant will have the opportunity to manage independently a section within our dealing operation.

In order to attract the best dealing talent we offer a very competitive and specially tailored remuneration and benefits package.

For further information please call:
Elly Friedrich in Frankfurt (69) – 7156202
or after business hours:
Klaus Rosskopf in Frankfurt
(69) – 422472
or write to us at
Ulmenstrasse 30,
6000 Frankfurt,
West Germany.

Accountancy Appointments

Young ACAs

highly visible career stepping stone

London **£18–25,000 + mortgage etc**

Highly prestigious and highly respected, our client is one of the largest financial groups. It offers excellent opportunities to ambitious Chartered Accountants aged mid/late 20s to make the transition from the Profession to Commerce.

You will join a high profile team undertaking operational reviews and appraisals of the group's activities, controls and information systems – a wide ranging brief which provides a thorough insight into the many facets of the group's business.

The scale and diversity of its traditional and developing businesses provide stimulating career progression opportunities. These are development positions enabling you to enhance and demonstrate analytical and communication skills in a highly computerised environment and, working with management at all levels, make a recognisable contribution to financial control.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/363/MF.

Lloyd Management

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

UK Manager

for New Zealand Investment Group

c£30,000-50,000 **London**

A significant New Zealand Investment Group with wide ranging interests in equity investment, manufacturing, trading and commercial property development is shortly to commence operations in the UK.

This is a new position aimed at representing and developing the interests of the company in the United Kingdom and Europe.

A background in the financial intermediary sector, property development or similar investment/entrepreneurial activity, is necessary.

The income and benefits package is unlikely to prove a barrier and will be designed to meet individual needs. As the Managing Director will be in London during June 1986, applications setting out personal and career details should be forwarded immediately to **Paul Carvosso at Macmillan Davies Recruitment Consultants, Kingsbourne House, 229 High Holborn London WC1V 7DA or telephone him on 01-242 6633.**

Macmillan Davies

INTERNATIONAL SEARCH EXECUTIVE

Appointments Advertising

£41 per Single Column Centimetre and £12 per line Premium positions will be charged £49 per Single Column Centimetre

For further information call:

Louise Hunter 01-248 4864

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TAX AND FINANCIAL SERVICES MANAGER

INTERNATIONAL BANKING c.£35,000

Our client is one of the largest London based banking corporations with worldwide operations. They now wish to recruit a manager for their small, high profile technical unit, which forms part of the International Division's Special Financial Services section based in the City.

Heading up a small team of experts in financial, legal and O.R. matters, the main thrust will be to provide tax and financial advice across the whole spectrum of banking services available to their major corporate clients worldwide. These services would include areas such as international leasing, the use of tax losses, group restructuring, off-shore financing, and the repatriation of overseas profits, coupled with a strong emphasis on helping to devise and market innovative schemes and new products, requiring close liaison with tax, legal and accounting specialists worldwide.

Candidates, who should be graduate FCA's in their 30's, must have an impeccable professional background and a wide range of experience and vision in UK and international tax matters.

A minimum three year contract will be offered plus car.

Please write, in confidence, with full details of your experience, quoting reference 3506/2, or telephone 01-236 8000 (Ext. 3549), to John W. Hills, Executive Selection Division.

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Peat, Marwick, Mitchell & Co., 165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

ALPS

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A challenging appointment, scope to advance to the main board within 3-5 years

FINANCE DIRECTOR

LIVERPOOL **£24,000–£32,000 + CAR**

BIBBY LINE LTD – EXPANDING IN SHIPPING, OIL, TRANSPORTATION AND FINANCIAL SERVICES

This appointment is in Bibby Line Ltd, which is the Managing Company of Bibby Line, and calls for accountants (C.A. or A.C.A.) aged 35-45 who have acquired at least 7 years practical industrial or commercial accounting experience and not less than 2 years heading the financial operation of a company whose turnover exceeds £10 million. The successful appointee will be responsible for the total finance function and will cover, through a small team, the treasury function, bank relationships, syndicated loans, mergers and acquisitions etc. The major bulk of work will centre initially on management information and new projects. A high level of commercial acumen and the ability to make a significant contribution to the company's continued development is important. Initial salary negotiable £24,000–£32,000, car, contributory pension, free life assurance, free family PPP, assistance with relocation expenses if necessary. Applications in strict confidence under reference FD109/FT to the Managing Director:

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH. TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX NO: 01-256 8501.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT PLEASE TELEPHONE 01-628 7539

Gabriel Duffy Consultancy

Planned Maintenance

Chief Accountant

(FINANCIAL DIRECTOR DESIGNATE)

PLANNED MAINTENANCE with a £12 million turnover, is the country's largest independent mechanical and electrical maintenance company, and is recognised as a leader in its field.

Due to continued growth and the need for greater management information, it has been decided to appoint a Chief Accountant. Based at the group Head Office in South West London, the successful applicant will work closely with the board and divisional management, in the production of regular forecasts and reports and the development and implementation of new management information systems.

The role will suit a young dynamic accountant with previous commercial experience, who wishes to develop his/her skills in a progressive and profitable organisation.

An excellent remuneration package is offered including a company car. But more importantly, this position offers the opportunity to work in a professional and demanding environment.

For further information please contact **Darrell Smith**, consultant to the organisation for this assignment on **(01) 831 2288** day or **(01) 444 3559 (evenings & weekends)** or write in strictest confidence to:

Gabriel Duffy Consultancy, Financial Search and Selection, 31 Southampton Row, London WC1B 5HJ.

Financial Controller

Hemel Hempstead
c.£18,000 + car

A British subsidiary of a European holding company manufactures and imports specialist furniture which it markets UK-wide.

Rapid growth calls for the appointment of a flexible and self-motivated Financial Controller to play a vital role in the planning of the company's ongoing profitable development.

Reporting to the Managing Director and a member of a small closely-knit senior management team, you will be responsible for all financial and management accounting functions... setting budgets, reviewing results against forecasts, and evaluating new business projects. The development of computerised systems is an important task.

This is a role for a strategist. It calls for an ambitious qualified accountant with well-developed business acumen and commercial flair who responds well to pressure.

Please send full cv which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent.) Ref: R2108/FT.

PA

PA Advertising

Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

MANAGEMENT CONSULTANTS to £33,000+Bfts Nationwide	Market leaders in management consultancy seek to recruit ACMA or CIPFA qualified accountants to service diverse client portfolios. Candidates should be aged 27-35, have good degrees, wide-ranging sharp-end commercial experience, strong personality, analytical ability and be proficient in computer services development and implementation. Candidates with health sector experience are particularly invited to apply. Ref: KRJL.
COMPUTER AUDIT MANAGER to £30,000+Car London	A leading professional firm seeks a national computer audit manager to be responsible for the organisation of the service nationally in respect of staffing, quality standards and consultancy advice to clients. A candidate with ability and presence is likely to make rapid progress to partnership within a stimulating and demanding environment. Ref: DES.
FINANCIAL CONTROLLER to £20,000+Car E. London	Fast moving trading company, an autonomous subsidiary of a well-known multinational, seeks to strengthen its general management team by the appointment of a qualified accountant aged 26-32. Candidates should have proven line, computer and commercial skills and be capable of warranting a directorship within the medium-term. Ref: MJH.
DIVISIONAL ACCOUNTANT to £20,000+Car C. London	An exciting opportunity within a marketing-orientated environment for young accountancy professionals with around two years post qualification experience. Interest in the design and implementation of management information systems, preferably within the F.M.C.G. field, is essential as is the tenacity and ambition to succeed in a progressive world-wide organisation. Ref: CLW.
INVESTMENT SECTOR c£20,000+Bfts City	High calibre graduate ACA sought by prestigious stockbroking subsidiary of a major investment house. Reporting to the Financial Controller this challenging new role will encompass all areas of reporting to board level plus systems development and management of line accountants. Superb career move for young ambitious candidate with sector exposure either direct or from the profession. Ref: JFH.
FINANCIAL ANALYST c£17,000+Bfts C. London	This major group with a presence in over twenty countries is seeking a young graduate accountant for one of its thriving divisions. The successful candidate will be responsible for group consolidations and the preparation of financial data using IBM pc's. An excellent track record with US accounting experience desirable for a rewarding career path. Ref: GGS.

HUDSON SHRIBMAN

THE COMPLETE FINANCIAL SELECTION SERVICE

Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

FINANCIAL CONTROLLER – SECURITIES

CITY *TO £23,000* *+ CAR* *+ BENEFITS*

Harvard Securities Group Plc is the largest Licensed Dealer in OTC and market stocks with an outstanding growth record.

This new appointment, reporting to the Finance Director, will appeal to a qualified Accountant (age range 25-32) with at least 2 years post-qualification experience in the securities industry plus a strong computer user background.

Controlling 10+ staff with responsibility for management accounting and financial reporting to the Board, a key task will be to implement internal control involving a computer-based accounting system.

The company's continued explosive growth will ensure increased responsibilities and rewards in a short time frame. A sound accounting and audit understanding coupled with a practical approach to managing and delegating responsibility are required for a fast moving organisation.

Please send your CV explaining why you meet the above specification to Martin Steele, Steele-Dixon & Associates, 2 Station Road, Abingdon, Oxon OX14 3LD. Tel: 0235 24441.

Truman Miles

Controllership prospects

£17,000 + Car

A successful PLC in SW1 offers a young graduate accountant this high profile role & development to controlership.

Performance Review
Business Plans
Market Strategy

A first class management information service is required for the main board members & senior operational management. Ref: 272.

Call or write, in confidence 01-248 2002/3 after 8pm 01-588 0085. 10/11 Bishops Court, Old Bailey, London EC4M 7EL.

Appointments Advertising

For further information call:

Louise Hunter 01-248 4864

Jane Liversidge 01-248 5205

Daniel Berry 01-248 4782

FINANCIAL DIRECTOR

DARLINGTON **£20,000 + CAR**

United Automobile Services is a large and successful operating subsidiary of the National Bus Company, with head office at Darlington and is expecting to move into the private sector shortly, with an opportunity for a management led buy-out.

The company is reshaping to ensure a substantial market share of bus operations in the north-east of England, and with some 400 buses and coaches will operate local bus services, mainly in the counties of Durham, Cleveland and North Yorkshire, and have coach operations nationwide.

The need is for a qualified and imaginative executive, with commercial awareness and several years experience which should include the use of computerised systems, to exercise effective financial control of a company with an annual turnover approaching £25m.

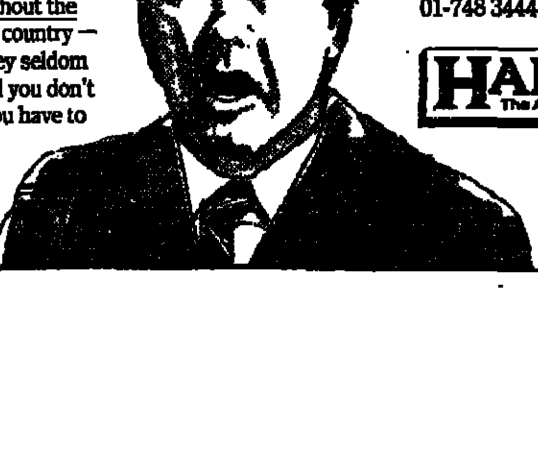
You will be responsible for financial advice and information to the Board of the company, budgeting, costing and financial appraisals, and be controller of the management and statutory accounting functions; you will additionally undertake the formal duties of a Company Secretary and it is intended that the appointee will quickly prove suitable to join the Board of Directors.

The commencing salary will be in the order of £20,000 pa and the package includes a company car and pension scheme membership. Re-location assistance will be given where appropriate.

Applications should be submitted under private and confidential cover to Mr S Senior, Managing Director, United Automobile Services Limited, Grange Road, Darlington, County Durham DL1 5NL giving full particulars of age, education, qualifications, family (number of children and ages), and a summary, in chronological order, of work experience, including particulars of past and present appointments, and current salary.

UNITED

IF YOU'RE NOT ON THE REGISTER YOU ARE M[...]G SOMETHING



Hall-Mark is the only appointments register which specialises solely in Accountants and Financial Managers. We have a constant demand from our clients throughout the U.K. — some of them the best known names in the country — for young, talented, ambitious accountants. But they seldom advertise their vacancies so if you are not registered you don't get the chance to meet them. Don't miss out. All you have to do is complete and return the coupon now.

Hall-Mark Appointments Register, London House, 271-273 King Street, London W6 9LZ. Tel: 01-741 8011/01-748 3444 (24 hrs). Prestel 013903873.

HALL-MARK The Appointments Register

To: Michael Polley, FCA, MBA, Hall-Mark Appointments Register, FREEPOST London W6 9LZ. (No stamp required).

INLS SURNAME

ADDRESS

POSTCODE

FT 29/5

Accountancy Appointments

INSTITUTIONAL EQUITY SALES

UP TO £30,000 + PERFORMANCE BONUS

The company is a UK subsidiary of a major Stockbroker and is currently undertaking a substantial expansion in the UK market. They have particular expertise in the natural resources sector, and are now further developing their strengths in other sectors.

Working with a highly professional team of salespeople, you will be given considerable autonomy to expand and develop your own particular area. The company philosophy is very much that of the "entrepreneurial broker" and good selling skills are an essential prerequisite to the position.

You should be aged 25-30, have a sound academic background, good analytical skills and perhaps 1-3 years experience within a broking environment. This could be an ideal first move for an ambitious analyst, or a junior commodity/equity broker who wishes to move into a dynamic organisation. The successful candidate will be given comprehensive training (if required) including a twelve month posting abroad.

Interested candidates should contact Sarah Beaumont on 01-629 8070 or send a detailed curriculum vitae (quoting Ref. L.129) to her at Slade Consulting Group (UK) Limited, Metro House, 58 St. James's Street, London SW1A 1LD. All applications will be treated in strictest confidence.

London · Melbourne · Sydney · Brisbane · Adelaide · Perth · Auckland · Christchurch

SLADE CONSULTING GROUP (UK)

Deputy Chief Accountant

International Bank
City
c £35,000 plus benefits

A major international bank, our client has a consistent growth record both internationally and in the London Branch for which we are recruiting. The bank now wishes to restructure the accounting function through the appointment of a Deputy Chief Accountant. Reporting to the Chief Accountant, the successful candidate will assume responsibility for the London Branch's reporting and control process. Key tasks will include the regular review and development of monthly reporting, management accounting and budgeting.

Candidates should be qualified accountants, aged between 28 and 40 and will have gained relevant experience in either a financial institution or an international accounting firm. Equally important in this role are personal qualities of energy, self motivation and the ability to respond quickly to changes in this highly competitive sector.

We are also looking for evidence of achievement in career to date and a high technical standard coupled with flair for this type of role.

This will be a stimulating role in an international environment, offering the ambitious and successful financial executive scope for further career development.

The remuneration package will be commensurate with experience and qualification but will not prove a bar for the right candidate.

Candidates should write enclosing a full CV with current salary quoting reference MCS/1009 to Michael Madgwick
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL.

Price Waterhouse

Manager Internal Audit

C. London & The World   c.£21,000 + car + benefits

Our client, a world leader in high technology, operates in over 60 countries. Turnover, now exceeding £850 million, has more than doubled in the past two years. The challenges offered by such a dynamic organisation are considerable.

Internal promotion and continued growth of the department demands the appointment of a well qualified accountant, aged c.30 years, who has substantial audit experience gained in a commercial environment. The world-wide brief involves working with management to maintain high standards of internal controls over the business. Thus, imagination and flair, combined with outstanding professional ability is required.

This is a unique opportunity to exercise your commercial judgement within a successful group on the world stage. Career opportunities within this developing group are outstanding. Relocation expenses are available where appropriate.

Write with full CV and daytime Tel.No. quoting ref. FT/105 to Patrick Donnelly.

tfi The Finance Index
Financial Recruitment Consultants
11 Palmer Street London SW1H 0AB Tel: 01-222 5169/1181

Treasurer/Chief Cashier

Oil Industry   c. £12,000 p.a.

Jawaby Oil Service has been established by the Libyan Oil and Petrochemical Industry to provide an across the board service to individual operating companies.

We are now looking for a Treasurer/Chief Cashier to run our cash office function based at our modern prestige offices in the West End.

Your main objective will be to administer, control *and report on clients' funds, ensuring that they* are used and invested in the most advantageous way. Other duties include responsibility for the day to day running of the cash office with all its reconciliations and recordings in addition to monitoring and recommendations regarding the holding of dollars against sterling with consideration to exchange and interest rates, cash forecasting etc.

Age 28+, you should be a part qualified accountant with at least 3 years experience of managing a complete cash function in a multi-currency environment or have a strong banking background and possess an AIB qualification.

We offer excellent conditions of service, along with a first class working environment and a wide range of other benefits.

Please write with full details of your experience to the Personnel Co-ordinator,
Umm Al Jawaby Oil Service Ltd.,
33, Cavendish Square,
London W1M 9HF.

JAWABY OIL SERVICE

QUALIFIED ACCOUNTANTS

£16k plus Car   Northolt, Middx.

A well-known International Group in West London, with diverse interests in the U.K. and Europe, are looking for ambitious Accountants in their mid-20's with Audit experience wishing to develop their careers in Financial Management.

Successful candidates will initially join the Group Internal Audit Department which is responsible for providing a service for all the Group's various Companies on a world-wide basis.

Candidates must therefore be prepared to travel.

After at least 2 years in this department there will be the opportunity for advancement to Financial Management positions within the Group.

The Group operates a Contributory Pension Plan, Life Assurance and Medical Scheme.

Please reply in confidence quoting reference IA/53 to:
Norman Rayner Associates Limited,
2 The Nelson Rooms, 68 High Street, Weybridge,
Surrey KT13 8BL. Tel: Weybridge (0932) 59482.

NORMAN RAYNER ASSOCIATES LIMITED
Executive Recruitment Consultants

CHIEF ACCOUNTANT

Hertfordshire

28-35   c£22,000 + Car

The group, a market leader in the photographic processing industry, requires a Chief Accountant.

Reporting to the Financial Director you will lead a well established department and be responsible for a large number of staff and for all aspects of the company's accounting and reporting requirements. The accounting systems are computerised.

Applicants should be qualified accountants with commercial experience and have sound knowledge of computers. Considerable importance is attached to previous staff management experience.

The salary of c £22,000 + car includes an annual bonus, around one month's salary, and there are attractive fringe benefits.

Please send a comprehensive career résumé, including salary history and daytime telephone number, quoting ref: 2669 to W.L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

Financial Director

Basingstoke   c£35,000 + Car

Our client seeks a tough, practical, level headed Financial Director to run a tight ship. The company is involved in commissioning and selling high technology equipment through a nationwide network of branches and sales have grown strongly and currently are c.£10m p.a. Poor profit performance however, has caused the board to be restructured. In order to maintain growth new equity funding has been provided by blue chip institutions.

We seek applications from qualified accountants, 35/45, with a strong MIS background who are proven achievers, capable of working under considerable pressure. A track record which embraces manufacturing would be an advantage. An attractive salary and benefits package will be negotiated.

Please contact R. J. Welsh.

Reginald Welsh & Partners Ltd
ACCOUNTANCY & EXECUTIVE RECRUITMENT CONSULTANTS
123-4 Newgate Street London EC1A 7AA Tel: 01 600 8387

FINANCIAL DIRECTOR (DESIGNATE)

Required by expanding contemporary publishers embarking upon maximum growth of an already substantial share in their U.K. and Export markets.

Reporting to the Managing Director the responsibilities are for *all aspects of finance, accounts, investment, and currency management,* whilst helping to lead an enthusiastic management team.

Above all the successful candidate must be able to contribute substantially to the commercial as well as the financial development of the business.

Candidates aged thirty to forty-five must be qualified Accountants with several years experience within a commercial environment, involving inter-company and international accounting, group structuring, a working knowledge of D.P. systems, and Company Secretariat work.

Candidates must have proven management and organisational *ability, operating with a 'Hands-on' style.*

An attractive, appropriate remuneration package will be offered including a company car. Excellent future prospects.

If this is the career move for you, apply in writing with full C.V. to T.S. MEIKLE, JOINT MANAGING DIRECTOR, ANABAS, BRIDGE CLOSE, ROMFORD, ESSEX, RM7 0AU.

FINANCIAL CONTROLLER

£25,000 pa plus car, plus benefits

Our client is a well established private company which is a major force in the Motor Industry. Based in the West Country, the company requires a dynamic accountant preferably with some experience in the industry to report directly to the board and control the whole accounting function.

Candidates should be mature and experienced with a proven commercial background gained in a computerised accounting environment.

The company offers a comprehensive remuneration package and considers the appointment an excellent opportunity for someone wishing to develop a long term career in an interesting industry.

Please send details of your career to date to:
Martin D. Brown, Solomon Hare & Co., 16 Union Street, Bristol BS1 2DQ.

Financial Director

CAREER OPPORTUNITY
USM PROSPECTS

£27K
plus benefits.
Company car, bonus, share option scheme.

Our company is a progressive and fast expanding independent company *operating in the fields of communications and publishing. We have won a number* of national export awards, having displayed exceptional growth in our first five years, and are on course to seek a USM placement within the next two years.

As part of the company's continuing development plan we now wish to appoint a financial director who can play a full and active role in the company's *strategic planning and who will be responsible for the entire accounting and* management information requirements.

A high degree of commercial flair and first hand knowledge of computer based systems is essential. Other requirements include a strong track record in financial management, proven commercial experience, as well as an *understanding of international business.*

Candidates will be qualified accountants with first class training, a degree is preferred, and aged between 26-35. This position will appeal to accountants with outstanding ability who wish to use their drive and initiative to the full. It represents a genuine opportunity to contribute to, and be rewarded by, success *in a dynamic environment. Other rewards include* a salary of £27K, *a company* car, a performance related bonus and a highly attractive share option scheme.

Please apply in confidence, giving comprehensive career, salary and personal details to: The Managing Director, Beacon Publications PLC.

BEACON PUBLICATIONS PLC
Jubilee House, Billing Brook Road, Weston Favell, Northampton NN3 4NW

Hoggett Bowers

Executive Search and Selection Consultants
BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Financial Controller

Technology Products
Northern Home Counties   c. £24,000, Bonus, Car

In response to a demanding and dynamic market, this expanding company has embarked upon a major investment programme to *complement its ongoing and vigorous product development policy.* The Financial Controller will play a significant role in the efficiency and resultant profitability of this high tech business, and have particular responsibilities for developing and controlling the *management and financial information systems which are computer-*based. A qualified accountant, preferably a graduate, aged 28-35, the successful candidate will have a strong appreciation of manufacturing and distribution systems coupled with an ability to influence senior *management colleagues on effective* business decision making. Creative thinking is a necessary attribute called for in this demanding role. Opportunities for advancement within the multi-million pound group are excellent.

Male or female candidates should submit in confidence a comprehensive C.V. or telephone for a Personal History Form to *J.R. McGallan,* Hoggett Bowers plc, *Albany House, Hurst Street,* BIRMINGHAM, *B5 4BD,* 021-622 2961, quoting *Ref:27433/FT.*

Young Chartered Accountants £40,000 to £50,000

A partnership of ambitious Chartered Accountants with two established offices in Staffordshire, are looking for additional partners to join them.

They require additional partners to join the firm who share their belief that hard work and service to clients will bring expansion and financial reward to the firm.

Successful applicants will have a probationary period of employment leading to partnership in one year.

No payment for goodwill is required and the working capital is provided by the partners.

Applications in writing to: Box No: F6529
All of which will be acknowledged.

FINANCIAL CONTROLLER/ ADMINISTRATOR

With exceptional ability, required to co-ordinate and control all financial aspects of leading fashion *manufacturers,* situated in W1. The right applicant will require expertise, dedication and desire to succeed. A knowledge of the fashion trade and computer operations would be an advantage. Excellent salary and first class future await you.

Write with full details and CV to:
Box A0161, Financial Times
10 Cannon St, London EC4P 4BY

BUSINESS ACCOUNTANTS

City   £20 - 25K + Car

Our client is one of the most respected and prestigious banking groups in the City.

A major sub-group within it, which itself has over four hundred staff, is currently preparing for deregulation. A structural review *of the finance function has given rise to two new positions.* The requirement is for two top quartile business men/women who can confidently comply with the following:-

(i) A Graduate Chartered Accountant with good academic record and aged 25-28 years.
(ii) Large firm training that included fast progress to responsibility level.
(iii) One to three year's post qualification experience that contains banking/stockbroking/City exposure.
(iv) Possess a balanced combination of commercial flair for business development with highly competent technical skills.

The main responsibilities undertaken in these high profile roles will include strategic/business planning, M.I.S., financial reporting and treasury.

Reporting direct to Board level these positions will not be for *the faint-hearted and only high potential A.C.A.'s interested* in a senior management banking future should apply.

Preliminary interviews will take place in the next 2/3 weeks. In the first instance and in complete confidence please contact Chris French at the office below or call him outside office hours on 01-398 7322.

Fleet Recruitment
Financial Recruitment Specialists
40-43 Fleet St, London EC4Y 1BT
Telephone: 01-583 6613

Accountancy Appointments

Divisional Financial Controller

Northern Home Counties

A prominent and profitable part of a major British plc, this division employs 1,600 in the UK, manufacturing a range of high-value products for industrial customers. Reporting at general manager level and a member of the management committee, the role will involve responsibility for *100 staff working in the accounting,* DP and materials management functions. A major IT study is in progress, and the financial controller will have a major input to the specification and implementation of new reporting systems, in addition to the financial planning and control of the division's operations. This substantial post will attract qualified accountants at least in the mid-30s with experience of working at management level in a large-scale and sophisticated enterprise.

There is considerable scope for career development within the group. Remuneration will interest those currently earning up to £25,000 and will include the senior executive benefits of a blue-chip employer.

Please send full cv indicating current salary, in confidence, to Michael Egan, Ref: AA26/9878/FT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

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barrow/hepburn

Group Chief Accountant

Worcester
c£22,000 + car

Barrow Hepburn Group plc, is a successful and well established group with diverse interests in the UK and overseas which include engineering manufacture and distribution, chemicals and consumer related products. This appointment is based at the company's head office.

The position offers considerable scope and variety as a member of a small, enthusiastic and commercially orientated senior management team. You will report to the Group Finance Director, and with the assistance of a young, part-qualified accountant will be responsible for:

* Preparation of interim and year end statutory accounts including technically complex consolidations
* Supervision of the production of group monthly management accounts
* Consolidation of computer based budgets and operation of budgetary control system
* Cash Management and forecasting
* Involvement in acquisition appraisal and investigations

It is an excellent opportunity for young qualified accountants, probably aged late 20's or early 30's, to broaden their experience with a growth minded company. You should have at least two years post qualification experience with a thorough appreciation of all aspects of financial and management accounting. Experience in a manufacturing environment would be an advantage. Equally important is a practical approach, the personal qualities to make a positive contribution in a small team and the ability to establish an effective working relationship with the operating company accountants, most of whom are qualified.

The position carries a competitive salary, which will be negotiated to attract the right candidate, company car, bonus and share opportunities and removal expenses, where appropriate, to an attractive location.

Candidates should apply in writing enclosing a full CV and indicating current salary, quoting reference MCS 8635, to Mike Okninski,
Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham B3 2JB
Tel: (021) 236 5011.

Price Waterhouse

Financial Controller

(Director Designate)
c £20,000 + Car Coventry

This is a new appointment with a rapidly expanding and highly profitable specialist engineering company. Privately owned and with ambitious plans for future development—including USM listing—the company is now seeking a Financial Controller, with Director potential to further strengthen its management team.

Reporting to the Chairman and Managing Director you will be responsible for all aspects of financial management and control. Specific emphasis will be placed on the enhancement of accounting procedures and standards and the development of financial and management information systems. You'll also be expected to provide a company secretarial service and play a significant role in the broader commercial aspects of the business.

The requirement is for a qualified accountant aged 30-45 with a broadly based accounting background ideally gained within a small to medium size engineering/manufacturing company. The nature of the business and the company will require a practical, 'shirt-sleeves' approach on occasions, combined with a professional and totally dedicated attitude. Experience of computerised business systems is considered essential.

Potential for future career development is excellent in line with company growth and it is anticipated the person appointed should achieve Director status within twelve months.

Assistance with relocation will be considered in appropriate cases.

Candidates should apply in writing enclosing a full CV and indicating current salary, quoting reference MCS 8633 to Philip Gardiner,
Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham B3 2JB

Price Waterhouse.

Finance Director

(Designate)

Salary £30,000

Our client is a UK based international trading company which is part of a very major privately owned group with interests spanning 4 continents.

Reporting to the Managing Director, you will be responsible for total financial management and liaison with sources of finance.

You will have had experience in an export or trading environment and will be responsible for treasury management, reporting, tax, audit, administration and investigation of acquisitions and new business development. You will also represent the company in its dealings with its bankers and other sources of finance.

This is an outstanding opportunity for a dynamic, young, imaginative and well rounded individual who will be expected to play an important executive role in a business with turnover in excess of £15m. and climbing fast. Salary will not be a limiting factor to the right man and an outstanding benefits package, including car, will be offered to the successful candidate.

Please send a detailed c.v., including daytime telephone number, in strict confidence to:

Iain Laird at Management Appointments Limited (Search and Selection Consultants),
Finland House, 56 Haymarket, London SW1Y 4RN. Tel: (01) 930 6314.

MAL
Management Appointments Limited

ACCOUNTANT

£18,000 plus

Based in London W1

The Alfred Marks Group, part of the Swiss-based Adia Group of Companies, are Britain's foremost recruitment consultancy. We are looking for a qualified Accountant, aged mid twenties to thirties with at least 2 years' experience in Industry or Commerce, to join our head office management team, reporting to the Financial Controller.

The successful applicant will be in charge of 4 staff and will be responsible for checking computer print-outs, preparing accounts to deadlines, both Management and Financial.

In our business, the need to communicate well at all levels is essential. If you believe you have the right qualifications and qualities for this Management post, please send full CV to:

Victoria Philpot, Personnel Manager
ALFRED MARKS BUREAU LIMITED,
Adia House, 84/86 Regent Street,
London, W1A 1AL.

ALFRED MARKS

Recently Qualified Accountant

An environment for your skills to grow

Surrey **c. £16,500pa+car**

Food Brokers Ltd. is Britain's largest and most successful sales, marketing and distribution company to the grocery, CTN and chemist trades. Now celebrating our 25th year, our sales turnover is in excess of £100m and we represent many big names including Britvic, Ferrero Rocher, Lift Lemon Tea, Melitta, Primula and TCP.

Because of continued planned expansion, we're now looking for an accountant to join our top financial team at our office in Leatherhead, Surrey.

This is a new position, calling for a new breed of professional. Someone able to combine above-average abilities as an accountant with a business-driven approach which will enable you to cover areas such as monthly accounts for our Board, budgeting, statistical reports, balance sheet control, financial reviews, computerised programmes and ad hoc investigations.

To handle this level and variety of interesting responsibilities, you'll need to be a recently qualified ACA/ACCA/ICMA, probably aged 25-33, with previous practical accounting experience, preferably within a commercial organisation. Adaptable, flexible, and able to fit into and help run an extremely busy Financial Department, perceived as a direct support to the overall marketing and sales effort.

Some initial induction training will be given, but we see your role as developing into all areas of the finance function – giving you the widest possible base of experience.

In addition to an unusually high level of interest and job satisfaction, and excellent further career prospects within Food Brokers Ltd., this position offers a highly competitive starting salary plus a car, BUPA, contributory pension scheme and free life assurance.

To apply, first send your CV to: Victor Cracknell, Personnel Director, Food Brokers Limited, Milburn, 3 Copsem Lane, Esher, Surrey KT10 9EP.

Silver Jubilee FB 1961-1986

Head of Audit Services

Following an internal promotion a major national building society wishes to appoint a new Head of Audit Services.

- RESPONSIBILITY is to the Deputy Chief Executive for developing the society's audit strategy, for providing internal audit services through a department of 35 and for contributing to the design of new computer-based systems throughout the society.
- THE NEED is for a chartered accountant who can demonstrate a computer audit speciality either in the profession or in a commercial environment.
- SALARY will be around £24,000 plus financial sector remuneration benefits. Preferred age 30-38. Location: Yorkshire.

Write in complete confidence to:

St. James's Corporate Consulting

Dept. 20, St. James's House, 4/7 Red Lion Court,
Fleet Street, London EC4A 3EB

THE J D WETHERSPOON ORGANISATION LTD

Financial Controller

c. £16,000+share options

Having commenced trading in 1979, we currently operate twelve very successful free houses in north London and plan to open a further five outlets in 1986 prior to obtaining a stock market quotation in early 1987.

We seek a qualified FCA reporting directly to the Managing Director to take full control of our accounting functions involving:

- the refinement of existing book-keeping and financial information systems to bring these up to public company standards.
- the supervision of our small head office staff.
- liaising with suppliers, auditors, bankers, stockbrokers etc.

You will be aged 26-30, have a good degree, be personable with the ability to communicate well and have the ability to evolve and develop financial systems as we expand.

Please write enclosing full CV to:

Tim Martin, Managing Director
J D Wetherspoon Organisation Ltd
17-19 Archway Road, LONDON N19 3TX

Acquisitions Executive

c.£19,000 + car **N.London**

Since their USM launch 2 years ago, this progressive group of companies has undergone rapid expansion and diversification. The profit forecast for '86 has increased three-fold.

An excellent opportunity exists for an ambitious ACA whose aim is Directorship before the age of 30.

Based within their high growth *FINANCIAL SERVICES DIVISION*, you will carry out business analyses and investigations into target companies and provide a full *commercial* service to an increasing client portfolio. From there you will quickly take up a Board appointment within one of a diverse range of business areas.

For more information please call Jennifer Staddon. Tel: 01-242 6321.

Personnel Resources 75 Gray's Inn Road London WC1X 8US.

FINANCIAL CONTROLLER

(Director Potential)

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday June 5 1986

Norsk Hydro may bid for Saga

By Fay Gjester in Oslo

NORSK HYDRO, the Norwegian industrial and energy group, is understood to be considering a counterbid for Saga Petroleum, the Norwegian independent oil company recently involved in merger talks with Elf Aquitaine Norge, Norwegian offshoot of the French concern.

Hydro itself will not comment on the rumours – which have been widely reported in Norway. It is clear, however, that significant policy issues have been raised by the Elf/Saga talks, and the Government could face some awkward choices.

All leading political parties in Norway have agreed that Norway is best served by having three of its "own" oil companies independent of one another. Saga, Statoil (100 per cent state-owned) and Norsk Hydro (51 per cent state-owned) have thus been given specially favourable treatment in a succession of Norwegian licensing rounds.

It would not be easy for any government to approve a merger which would hand Saga's privileges to a foreign-dominated company. A takeover by Hydro, instead, might seem preferable – although it would reduce the number of Norway's home-grown oil companies to two.

A complicating factor in any merger between Elf and Saga is that Volvo of Sweden already holds 20 per cent of Saga's 17.75m shares (par value NKr 60 a share). This means that, even if Elf agreed to accept a minority share – say, 49 per cent – of a new, merged company, foreign interests would still be in the majority.

Gencor loses another top executive

By Jim Jones in Johannesburg

MR BASIL LANDAU has become the second executive director of Gencor, South Africa's second largest mining house, to resign since the appointment of Mr Derek Keys as chief executive a month ago.

Mr Landau's early retirement follows only a few weeks behind that of Mr Johan Fritz, the executive director responsible for mining operations.

In the two years before Mr Keys' appointment, Gencor had been managed by a five-man executive committee following a failure to find a replacement for Mr Ted Pavitt, who retired as chief executive in 1984.

It was believed one member of the executive committee would eventually be appointed chief executive, but Gencor and Sanlam, its controlling shareholder and South Africa's second largest insurance company, appointed Mr Keys from outside the group.

Mr Landau joined Union Corporation, the mining house taken over by General Mining to form Gencor, in 1975. Before joining Union Corp, Mr Landau had been managing director of Leyland South Africa, which was then in decline and is now only a small factor in the local car market.

Mr Landau was responsible for management of Gencor's industrial operations, many of which have suffered large losses and needed considerable refinancing in the past two years.

Sappi, the paper maker, suffered major cost over-runs in its recently completed expansion; Tedelex, a leading manufacturer and distributor of electrical products, suffered foreign exchange and trading losses

Dornier joins Webster bid for Canadair

By Robert Gibbens in Montreal

MR JUSTUS DORNIER, the West German industrialist, has joined the Webster family interests of Montreal in a consortium bid for Canadair, the aircraft and defence products group being privatised by the Federal Government.

The consortium of Canadian Aerospace Technologies is 38 per cent-owned by Mr Dornier, 25 per cent by Mr J. Howard Webster, and the balance of the stock will be issued to the public.

Mr Dornier is a former director of the German aircraft firm Dornier, now a subsidiary of Daimler-Benz.

Four other companies are seeking Canadair, including Bombardier, the snowmobile and heavy transport manufacturer, Magna International, a major motor parts group, Fleet Aerospace, an aircraft component group, and IMP Group

Armco and US Steel to combine oilfield supply operations

BY WILLIAM HALL IN NEW YORK

US STEEL and Armco, two of the biggest US steel companies, are to combine their loss-making oilfield supply and service operations. The resulting company will have annual sales of close to $1bn, ranking it as one of the world's biggest operators in the sector.

The two groups have signed a letter of intent to establish an equally owned joint venture between Armco's National Supply and US Steel's Oilwell divisions. The proposed combination is the latest evidence of the effects of overcapacity in the world's oilfield services industry, caused by the dramatic drop in oil exploration following the slump in prices.

Crude oil futures prices on the New York Mercantile Exchange are currently trading at under $14 a barrel and several analysts believe that they could drop back to $10 or $12 a barrel over the next couple of months. This compares with over $30 a barrel a year ago. The slump in prices has caused a sharp drop in business for companies like National Supply and Oilwell, whose operations are geared to servicing the oil exploration industry.

The two companies said the combining of the two businesses would "permit a more cost-effective utilisation of existing assets." The companies manufacture and distribute a wide range of oilfield drilling and production equipment and supplies.

Armco's National Supply is the larger of the two companies and the largest of its kind in the US. It employs 2,400 people in 129 stores and other facilities around the world. Sales last year were $530m. At the peak of the US oil drilling boom, in 1982, when more than 4,500 rigs were at work, National Supply employed 13,000 people. Its parent has been forced to take heavy write offs on its business in recent years. The number of active drilling rigs in the US fell to 723 last week, against 1,821 a year ago.

US Steel's Oilwell division employs 1,200 in 82 facilities worldwide and is the third largest company in its sector.

Armco estimates that the two companies are working at no more than 25 per cent of capacity. It would not comment on the scale of possible job losses which would result from the merger and could not say whether there would be any more writeoffs.

The joint venture is expected to be concluded by the end of the year, subject to the execution of definitive agreements, various closing conditions and approval by the boards of both companies.

K mart to install video-data network

BY PAUL TAYLOR IN NEW YORK

K MART, the second largest US retail group, and GTE, the US telecommunications group, yesterday announced plans to build a $40m satellite-based private data and video communications network.

The system, which will provide data and video communications between K mart's headquarters in Troy, Michigan, and the group's nationwide stores, will be one of the largest private networks ever built. Installation of the system will begin immediately and is due for completion in late 1990.

The K mart network will be the first major application of GTE's recently introduced Skystar data network service which allows interactive communications between thousands of geographically dispersed locations, and is designed to combine the "latest in satellite and packet-switching technologies."

Mr Bernard Fauber, K mart's chairman and chief executive, said: "This state-of-the-art network will enable K mart International headquarters to communicate more quickly, efficiently and economically with our 2,100 K mart stores nationwide."

Mr Fauber said the network would speed up credit card verification at checkout counters and enable the group to improve store product mix by tracking buying trends.

The network will also combine existing communications systems between corporate headquarters, the stores, six regional offices and 10 distribution centres. The system was designed jointly by two GTE subsidiaries – GTE Spacenet and GTE Telenet – which are part of its diversified products division.

GTE Spacenet will provide satellite capacity and the earth-station network including video transmission and receiving equiment, while GTE Telenet will supply switching equipment and a centralised network control centre.

K mart reported fiscal 1985 sales of $22.4bn. It owns and operates more than 3,800 department and speciality retail stores in all 50 US states together with operations in Puerto Rico and Canada.

Canadian investment groups may merge

BY ROBERT GIBBENS IN MONTREAL

WOOD GUNDY, one of Canada's two largest investment banking and brokerage groups, is reported to be planning a merger with Gordon Capital Corporation, the fastest-growing and most innovative investment firm in the country.

Though neither company would confirm rumours of the impending merger, Wood Gundy scheduled a news conference for last night, saying it would announce an event of "significance to the securities industry and the investing public."

The last big merger wave in the Canadian securities industry was about three years ago. Since then, half a dozen smaller investment houses have merged or gone public. Wood Gundy and Dominion Securities Pitfield are rivals for the top place and both have sizeable international networks.

However, the pressures have been mounting in Ontario to allow foreign investment banks to take a larger role in the Canadian industry, including direct interests well above the present 10 per cent limit. A key decision by the Ontario Government is due early this summer.

Several large American-based investment banking firms with global networks have been creaming off millions of dollars in fees recently for advising in several recent Canadian takeover bids.

● Canadian Imperial Bank of Commerce (CIBC) is finalising a big restructuring of its operations which should improve its mediocre profit performance within a few years, Mr Donald Fullerton, chairman, chief executive and president, told AP-DJ in Toronto.

CIBC is Canada's third largest bank. In its first quarter ended January 31, the bank's 0.44 per cent return on assets was the lowest of the country's big five banks. However, Mr Fullerton said that in a few years CIBC's return on assets should be greater than the current average of its four competitors as the bank begins to benefit from its restructuring.

● Thorne Riddell, one of the top Canadian owned firms of chartered accountants will announce today a merger with the smaller Canadian firm of Ernst & Whinney.

The combined operation will be the largest in Canada and will have full international links and prominent management consulting and systems operations.

Exxon workforce cut by 6,200

BY OUR FINANCIAL STAFF

EXXON, the largest US oil company, said yesterday that 6,200 of its 40,500 employees had volunteered to resign under a special scheme announced on April 22.

The company said it was now "evaluating the staffing balance in all functions to determine how many involuntary separations might be required."

At the time the voluntary programme was announced, Exxon said it was aiming for 15 per cent of its employees accepting the offer.

The programme excluded employees of Exxon's nuclear division and the Reliance Electric subsidiaries.

The cut in Exxon's workforce is linked to the substantial fall in oil prices early this year.

While the crude oil market staged a partial recovery last month, prices were sharply lower again this week, with the domestic benchmark, West Texas Intermediate, near $13 a barrel. Late last year the price was near $30 a barrel.

The North Sea marker crude, Brent, is quoted at about $12 a barrel, substantially below the $28 price last November.

Mr Sanford Margoshes, an analyst with New York investment bankers Shearson Lehman Bros, said: "It's my guess that the plan for reducing the number of people has probably been in effect for a long time, but that the recent collapse in crude oil prices provided a rationale."

GERMAN VEHICLE BUILDERS TO CONTINUE JOINT VENTURE

MAN and VW renew truck pact

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN MUNICH

MAN COMMERCIAL Vehicles, West Germany's second-largest heavy truck producer and Volkswagen, the car group, have renegotiated their medium truck joint venture which has so far failed to live up to expectations.

This was revealed yesterday by Mr Wilfried Lochte, chairman of MAN, as his company launched a new range of heavy trucks, called the F90, which will replace existing models over the next two years.

MAN invested DM 250m ($110m) on the F90 trucks, which have new cabs, chassis and suspension systems. Mr Lochte says they will play a crucial role in the company's drive to boost its share of the West European market for trucks over 15 tonnes gross weight from the current 7 per cent to 10 per cent within three years.

The first F90 trucks, at the top end of the range, go on sale in continental European markets next week.

The VW-MAN co-operation dates back to 1979 when trucks between six and 10 tonnes gross weight were launched. It was due to end next year.

Under the new terms, production of all the vehicles will be at MAN's factory at Saltzgitter near Hanover. VW insisted in the previous contract that 70 per cent of assembly was at its Hanover factory.

However, VW has reorganised its production arrangements and Hanover is now fully employed producing vans.

The transfer to Saltzgitter should be completed by the end of this year. The companies will continue to share production of components for the joint ranges.

There have been doubts about continuation of the project which fell far short of the original targets. The partners hoped for an annual output of 11,000 vehicles, including 10,000 for export. But production had never been above 5,000. Last year the joint venture sold 3,700 vehicles, but Mr Lochte said this should improve to more than 4,000 in the current year.

The project is now breaking even financially, he added, and consolidation of production at one site would bring further economies. The partners have for the time being given up the idea of selling the joint range vehicles in the US. Mr Lochte said the dollar-D-Mark relationship made exporting built-up trucks from West Germany not a viable proposition.

MAN was recently absorbed completely into GHH, West Germany's largest engineering group, and the commercial vehicle division was established as a separate subsidiary.

In its last independent financial year – to end June, 1985 – MAN reported a small profit of DM 32m. Mr Lochte said the commercial vehicle business did much better in the current financial year and the progress would speed up in 1986-87.

In 1985, MAN produced 18,395 trucks over 15 tonnes, up from 15,334 and the year output should reach 20,359, he said. This compares with a break-even level of annual output.

Interferon makers win clearance

By Tony Jackson in London

BIOGEN and Genentech, two West Coast biotechnology companies, have both received clearance from the US Food and Drug Administration to sell their respective versions of interferon – the anti-cancer agent – in the US.

The companies have received clearance only for treatment for a rare form of cancer, hairy cell leukaemia. Applications have also been lodged for the use of interferon as a treatment for other cancers such as Kaposi's sarcoma (associated with Aids) and malignant melanoma.

The licensees for the two forms of interferon, Hoffmann-la Roche of Switzerland (Genentech) and Schering-Plough of the US (Biogen), agreed yesterday that the new product would have a "significant impact" on their sales in the longer term.

Hoffmann-la Roche said: "Over the long term, indications are that interferon is going to grow to the point where it could be a rather substantial contribution to sales volume and profits of the company internationally."

Until a year ago the two companies were locked in a legal struggle over patent rights to interferon, a substance which occurs naturally in the body. In May last year they agreed to drop their competing claims because the legal deadlock threatened development of the product.

The other chief candidate in the development of interferon is Wellcome of the UK. Wellcome has British clearance for the use of its interferon for hairy cell leukaemia, and is awaiting US clearance for two conditions, genital warts and juvenile laryngeal papilloma.

Turbine group plans listing

ALFA Romeo-Avio, the Italian state-owned turbine manufacturer, could seek a bourse listing, according to the chairman of Finmeccanica, the company which co-ordinates and controls state engineering activities.

Mr Franco Viezzoli, speaking at a conference in Rome, said the possibility of launching the company on the bourse was being examined.

Alfa Romeo-Avio designs and manufactures turbine engines and components for civilian and military aircraft and turbo-compressors for cars.

Wella hit by weak dollar

By Our Financial Staff

WELLA, the West German haircare group which has a large foreign sales base, reports a fall of almost 10 per cent in net profits for the first quarter of 1986.

The company said yesterday that its quarterly performance had been hit by the weakness of the dollar. Net earnings dipped to DM 33.3m ($14.6m) from the DM 37m of the opening three months of 1985.

Newcomers bring Portuguese banking business to life

BY DIANA SMITH IN LISBON

COMPETITION in Portuguese banking has livened up since six major foreign banks, a privately owned Portuguese investment bank and three privately owned Portuguese commercial banks received licences in the past 18 months.

Two of the three private commercial banks – Banco Comercial Portugues (BCP) and Banco de Comercio E Industria (BCI) – have opened their first branches in Oporto and Lisbon. The third – Banco Internacional de Credito (BIC) – will open soon.

Backed by strong business capital from the industrial north, BCP and BCI are highly-automated. They are retail banks with only a dozen or so employees at each branch compared with 45 or more clerks per branch in nationalised banks.

In order to build up short-term trade financing within the complex monthly credit ceilings calculated by the Bank of Portugal, BCP began operations with capital of Es 3.5bn ($23m), double the legal minimum.

Like BCP, BCI, with initial capital of Es 1.5bn and 10 per cent of its shares held by the Pioneer Investment Bank (BPI), is offering progressive interest on current accounts based on annual balances held by clients. This is an innovation in Portugal and, the banks hope, an incentive to clients to put all their cash in one bank instead of spreading it among a number of banks.

BIC marks the return to Portuguese banking of the Espirito Santo family who lost their banking and other assets in the 1975 revolution.

Ironically, the bank they once owned – Banco Espirito Santo E Comercial de Lisboa (BESCL) – is the most profitable nationalised bank. It recently began denationalisation moves by offering Es 6bn worth of participation bonds – part bond, part equity – to the public.

BIC, like BCP and BCI, will initially concentrate operations in Oporto and Lisbon where most of Portugal's business is done and where most of the upwardly mobile liberal professionals and lucrative services operate. It will later open branches in other cities.

For years efforts to liberalise the rigid, nationalised banking system were blocked by claims that foreign or private Portuguese banks would take the best clients, leaving nationalised institutions with the problem account.

The size of the problem is illustrated by the huge volume of bad debts – Es 400bn accumulated since 1975 during several economic crises.

Founder of computer retailer pulls out

By Louise Kehoe in San Francisco

COMPUTERLAND'S founder, Mr William H. Millard, plans to sell his 96 per cent stake in the computer retail franchise company.

The Hayward, California-based company is the largest retailer of personal computers in the US with more than 300 franchised stores and 1985 sales of about $1.5bn.

Computerland executives were taken by surprise by Mr Millard's announcement. "Apparently the major stockholder has made an independent decision to sell his holdings which include stock in Computerland," said a company spokesman.

However, Computerland executives felt the sale would be a change for the better. "We have not had the easiest of relationships with our stockholder," a senior company official said.

Mr Millard and his daughter Barbara Millard, the former president of Computerland, were removed from the management of the company six months ago following a court decision that awarded a 20 per cent stake in Computerland and $140m in damages to an investor group. The group had sued Mr Millard for non-payment of a nine-year old $250,000 loan which was secured against a 20 per cent stake in Computerland.

According to Mr Millard's lawyer, he is preparing to appeal the case. Meanwhile, the disputed holding is understood to have been placed in a trust fund. Court approval would be required before this could be sold and it is not clear whether approval has been granted.

Under the original court order, however, Computerland was to have been taken public before January 1988. Instead, Mr Millard is seeking to sell his stock privately. Computerland knows of no offer to buy the company.

INTL. COMPANIES & FINANCE

APPETITE FOR FOREIGN MARKETS FUELS RISES TO RECORDS

Bourses boosted by US buying

BY PAUL HANNON IN LONDON

THE INTERNATIONAL traffic in stocks and bonds reached a record level last year as US investors went on a worldwide buying spree. Their actions fuelled dramatic surges in volume in many European centres and under-pinned peak performances in some of the leading bourses.

This is the conclusion of the latest analysis of foreign activity in international markets by the New York-based Securities Industry Association.

The US appetite for foreign stocks quadrupled to $3.9bn from its 1984 level, leaving it a shade higher than the 1983 peak of $3.8bn.

Virtually half the net purchases by US investors were made in Europe with about $300m *finding* its way into each of the French, Swiss and German markets. Britain remained one of the most important recipients of US funds with a total of $617m invested in the London stock exchange. However, this was down slightly on the previous year's figure of $627m. Significantly, the level of gross transactions, a reliable indicator of the role of foreign support in any given market, jumped to a staggering $12.9bn during 1985 from $7.9bn the previous year.

US support for UK stocks eased during the final quarter as the weaker oil price threatened sterling and interest rates. Although British interest rates did in fact edge higher, the London stock market sustained only a mild setback.

American buying of British equities received a further setback earlier this year with the proposal in the March budget to impose a 5 per cent tax on the conversion of British shares to American Depositary Receipts.

Elsewhere in Europe, American support for French equities got off to a slow start. Net US purchases on the Paris bourse amounted to $12m in the first quarter. This gradually increased to $31m by the third quarter, only to be catapulted to more than $240m in the final three months. A perception that the political problems associated with the "twin-party" government were not as great as had been feared prompted the turnround. Gross transactions for the year edged from $1bn to $1.2bn.

A similar belated enthusiasm for Swiss equities took place. Gross activity increased to $1.6bn of purchases from the 1984 level of $1.3bn but the net purchases were more dramatic with a dazzling jump from $79m to $279m. Within the year, net buying amounted to $89m in the first quarter, but sprinted to $176m by the final quarter.

Canada remained a key depository of US investment again as a total $1.2bn of Canadian equities was purchased. The performance of the Canadian markets, however, did not match that of their southern counterparts. Investment is believed to have been highly selective with funds concentrated on industries likely to benefit from the lower Canadian dollar and those gaining from the lower interest rate trend at the end of the year. The Canadian dollar slipped a total of 6 per cent against the US currency last year.

Exchange rates proved to be critical. After touching record highs against some currencies early in 1985, the dollar began a slide which, although interrupted by official intervention occasionally, finished the year between 25 per cent and 29 per cent lower against most major foreign currencies. While the dollar continued to fall in the first quarter of this year, Wall Street has scored some dramatic advances and foreign investment in the US has increased.

Foreign activity on Wall Steet, in part a reflection of the globalisation of capital markets, has doubled in the past five years to the extent that between 9 per cent and 9.5 per cent of the value of New York Stock Exchange daily transactions are of a non-US nature. Gross activity in US equities jumped to $157bn last year from $122bn in 1984.

Foreigners were net buyers of $4.9bn worth of US equities in 1985. Although this figure did not exceed the 1981 record of $5.8bn, the concentration of much buying in the final three months of last year – $4.1bn – was unprecedented.

The most impressive quarterly boost stemmed from Europe with net purchases leaping from $869m to $2.8bn. Canada was the only major region making net sales – about $8m – of US equities in the final three months.

UK investors were still the most important foreign participants in the US stock markets (and vice versa) with gross purchases increasing by more than $10bn to $37bn and net purchases jumping by almost $1bn to $1.67bn.

After the British, the most active Europeans were the Germans with net purchases of $730m (out of a gross activity of $6.1bn), compared with being net sellers of US equities to the tune of $50m in 1984.

The Japanese were also active buyers (at $7.47bn) but held on to only $298m worth of US stock during the year, while the Canadians scaled back their net purchases to $355m from the previous year's $1.7bn.

In the US bond markets, foreign interest was sustained by declining interest rates and low inflation. Total net purchases of bonds by overseas investors amounted to $39bn ($84bn gross) with more than $18bn surfacing in the final quarter as speculation grew that the Federal Reserve Board was poised to lower interest rates further.

Europe represented the lion's share of the foreign support with $30bn net purchases ($46bn gross), while Asia as a whole bought $2bn net ($12.8bn gross). The Japanese were, after the British, the most important element in the non-US buying spree with net purchases of $2.9bn.

During most of 1985, the interest rate differential between US and UK corporate bonds favoured US investment, while inflation in the US was lower than in Britain.

Swiss investors increased their level of net purchases to $3.9bn from $604m, while West German buying also managed a healthy increase from $604m to $1.6bn.

The Treasuries market was dominated by the Japanese with a record $18.9bn (83 per cent) of net purchases compared with only $6.3bn (29 per cent) the previous year. The yield differential on government bond issues favouring US over Japanese issues narowed during the year from 525 basis points to 339 basis points. The dollar also fell 20 per cent against the yen during the same period.

Seminars bridge the transatlantic gap

BY ANDREW BAXTER IN LONDON

UK INSTITUTIONS with shares in emerging US companies were this week introduced to a novel way of *keeping in touch* with their investments – a potpourri of nine "investor presentations" in separate rooms at Claridge's hotel in London.

Officers from small and medium-sized concerns in industries ranging from restaurants to lighting equipment faced the daunting task of talking six times throughout the day to groups of brokers and fund managers, who could move from room to room to find the companies in which they were interested.

The concept, quite common in the US, is rare in the UK, where a presentation at lunchtime is the more common way for a US company to woo the London institutions.

Yesterday's series of meetings were hosted by Ladenburg, Thalmann, a venerable US investment bank which has recently carved a niche for itself by handling public *offerings* for companies with *high* growth potential, but not necessarily with a high-technology tag.

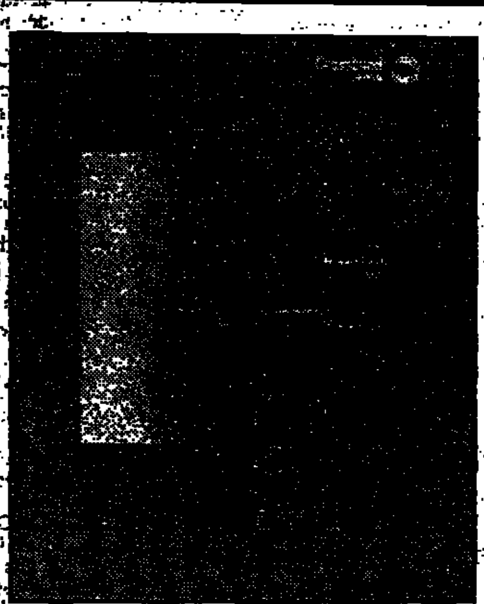
Invitations for the event talked of "a unique opportunity for the European investment community to meet the chief executive officers of 11 outstanding and rapidly growing companies." In the event, fears over terrorism, which were roundly condemned as "hysterical" by those who took part, reduced the number by one, and another company *pulled out for business reasons.*

All the companies represented yesterday have UK shareholders and were hoping to increase their numbers, as well as update current shareholders. Mr Howard Kahan, director of corporate activities at participant Prime Motor Inns, noted that European investors have a reputation for "taking a longer view" than their US counterparts.

Ladenburg hopes to hold another conference in London next year if *yesterday's is judged successful.*

Investors Update 2

Part 1 was featured Wednesday, June 4th.



CrossLand Savings (NASDAQ symbol: CRLD)

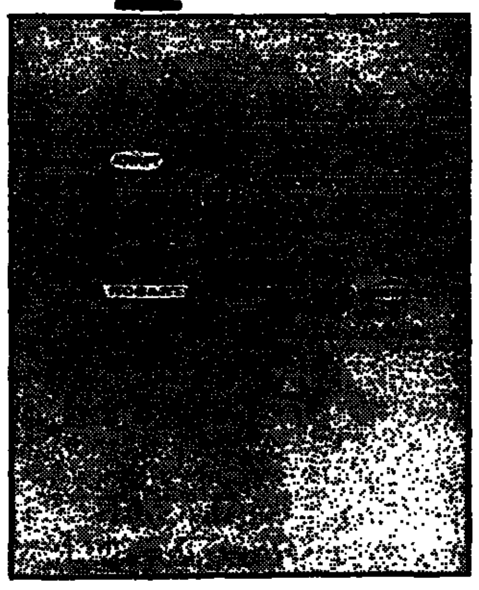
Based in New York City with assets of $8.3 billion, CrossLand Savings, FSB is among the largest savings institutions in America, operating 41 New York offices, 27 offices in Florida and one in Virginia's suburban Washington, D.C. market. The bank is active in mortgage lending, consumer and commerical loans, and offers discount brokerage services, savings bank life insurance and the other insurance services and real estate development.

CrossLand converted from mutual to stock ownership in October, 1985, and reported net income of $148.4 million for its fiscal year ended December 31, 1985 ($55.2 million in 1984).

First quarter 1986 net was $23.1 million with net interest income of $44.7 million. At March 31, 1986 shareholders' equity stood at $570.1 million, with a net worth ratio of 6.83%.

CSX Corporation

CSX closed 1985 with over $11 billion in assets and its common and preferred stock at all-time highs. The company initiated a restructuring program which set up a component-based organization built around its four major lines of business—transportation, energy, technology and properties. The action better positions the company for future growth and improved shareholder value.



Dart & Kraft, Inc.

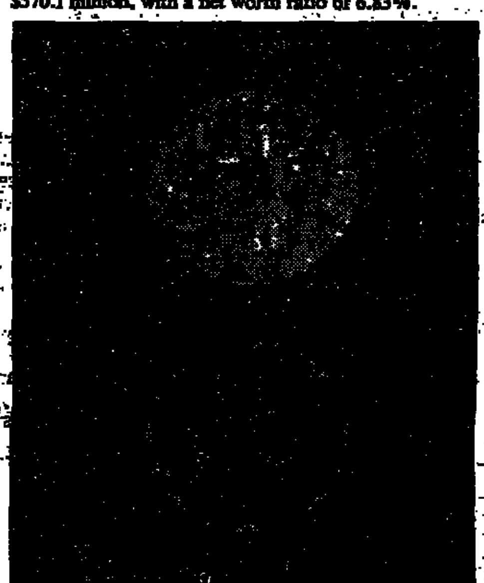
Dart & Kraft is a $10 billion multinational food consumer and commercial products company: In 1985, Dart & Kraft's net income reached $466 million. Our competitive advantages include quality products, outstanding people, strong distribution and marketing, and financial strength. We hold leadership positions in five major product categories: Kraft foods, Tupperware, Duracell batteries, Hobart commercial food equipment, and Wilsonart plastic laminates.

Elbit Computers

Elbit Computers Ltd. is Israel's leading designer, manufacturer and marketer of computer-based electronics systems and products for military and civilian applications. A major supplier to Israel's Defense Forces (Airborne Systems, Ground System and C3I Systems), Elbit entered fiscal 1986 with an order backlog of approximately $260 million.

Net revenues climbed to $150.2 million in 1985, from $118.6 the year earlier. Net income reached $18.1 million (versus $12.3 million).

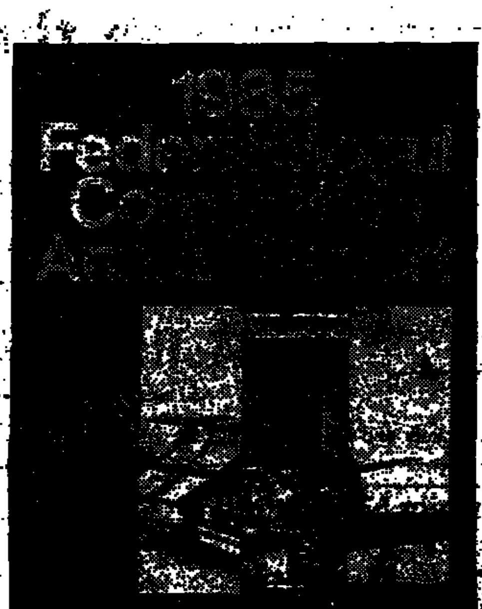
The Company's shares trade on the Tel Aviv Stock Exchange and in the U.S. (NASDAQ Symbol: ELBTF).



Engelhard Corporation (NYSE: EC)

Engelhard is distinguished by a commitment to fresh ideas for advanced technology and a global perspective.

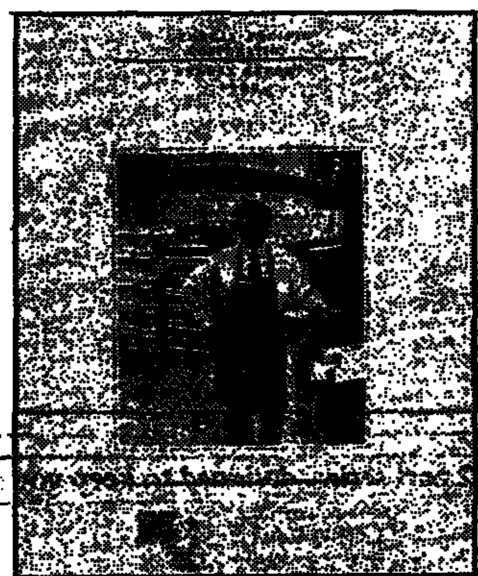
The 1985 Report reviews the Company's financial structure, outlines global strategies shared with international analysts at a forum in Zurich, and conceptualizes, via pictorial essay, Engelhard's thrust for its products in key markets worldwide.



Federal-Mogul Corporation

Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products that range from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace components.

The Corporation had record earnings of $52 million in 1985 on sales of $895.5 million. Its shares are traded on the New York and Pacific Stock Exchanges.



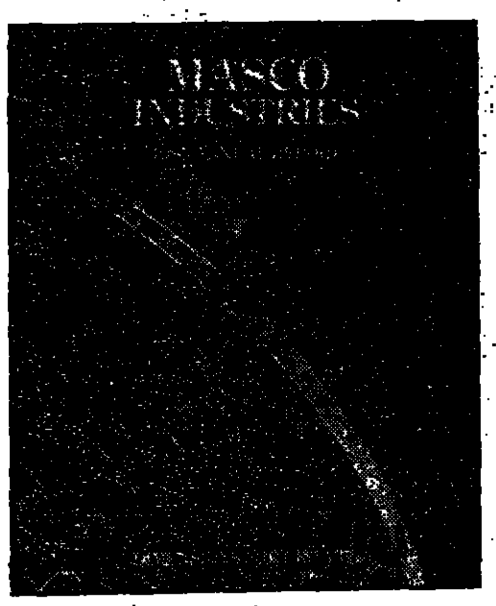
Georgia-Pacific Corporation

Georgia-Pacific is one of the world's largest forest products companies, with record sales of over $6.7 billion. The 1985 Annual Report features a new financial review section and outlines the company's plans for continued growth.

Last year, Georgia-Pacific strengthened its balance sheet to accommodate future acquisitions, as well as to sustain the internal capital investment program. A strong performance in building products offset a decline in the pulp and paper business.

Iomega Corporation

One of the fastest growing companies in the industry, Iomega Corporation, manufactures cartridge-disk drives for use with desk top computers. These drives, called Bernoulli Boxes, offer the high capacity and performance of rigid drives and the lower cost and media removability of floppy drives. During 1985 revenues increased 126% to $116.5 million and net income grew 491% to $14.9 million. Iomega shares are traded on NASDAQ under the symbol IOMG.

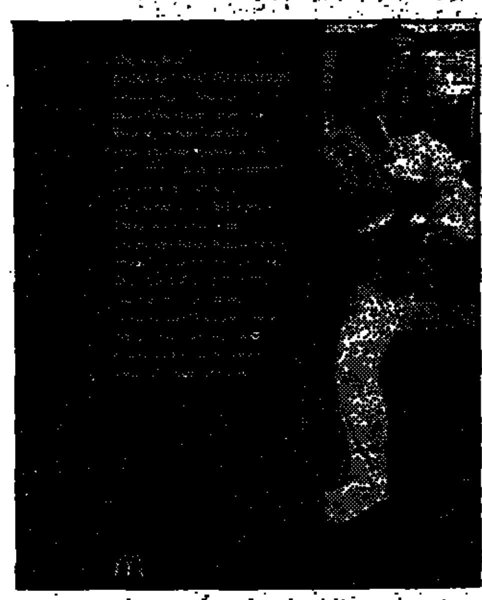


Masco Industries

Our proven strategies for growth, unmatched advanced metalworking technologies and products of value provide Masco Industries with...A Competitive Edge.

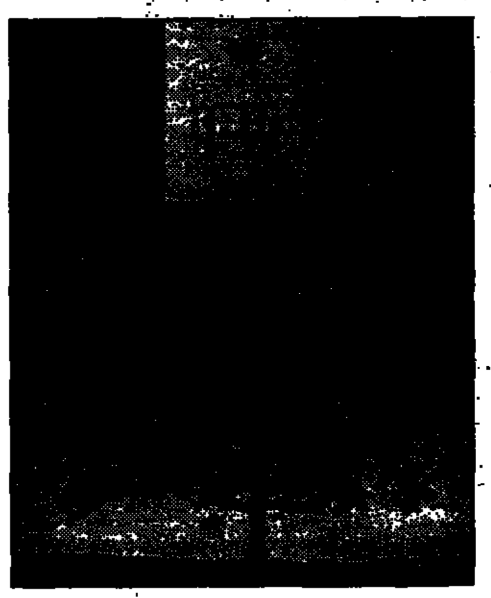
Masco Industries manufactures custom-engineered components and other specialty products for Industry.

Send for our 1985 Annual Report to learn why we believe Masco Industries is positioned to achieve its objective of increasing earnings per share, on average, at least 20 to 25 percent annually over the next five years.



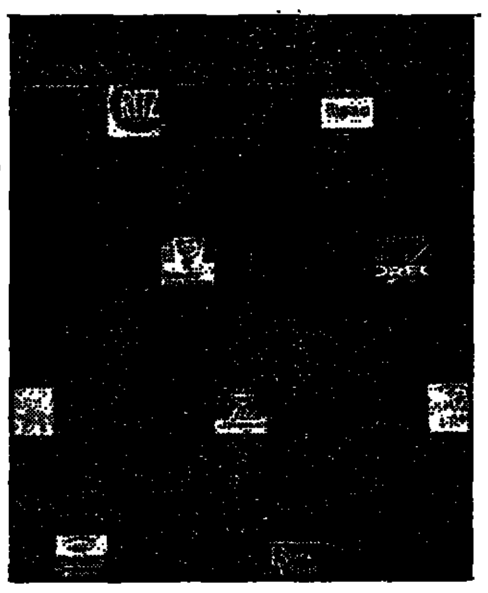
McDonald's Corporation

McDonald's is the world's largest restaurant organization, serving 19 million people daily in 9,000 restaurants located in 41 countries around the world. In 1985, McDonald's reported record net income, total revenues and systemwide sales for the 21st consecutive year since becoming a publicly held company. Total assets rose 19 percent to more than $5 billion and return on average common equity exceeded 21 percent. McDonald's is one of 30 companies that comprise the Dow Jones Industrial Average.



PacifiCorp

A diversified electric utility, PacifiCorp (NYSE: PPW) derives 44 percent of its $2 billion in annual revenues from non-electric sources. Operations include Pacific Power, the largest investor-owned electric utility in the Pacific Northwest; NERCO, a coal, silver and gold mining subsidiary; Pacific Telecom, a telecommunications subsidiary, and PacifiCorp Credit, a commercial financial services firm. 1985 EPS: $3.44. Annual dividend: $2.40.



R.J. Reynolds Industries, Inc.

R.J. Reynolds Industries, Inc. is an international consumer goods corporation with major interests in foods and beverages, tobacco products, spirits, wines, imported beers and quick-service restaurants.

In 1985, RJR achieved record sales and earnings and increased the *cash dividend for the 32nd consecutive year. Sales $16.6 billion;* net earnings from continuing operations $1 billion; earnings per share $3.60; dividends per share $1.41.

Part of 2½ page series appearing on June 4th and June 5th.

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INTL. COMPANIES & FINANCE

AIBD BOND INDICES
WEEKLY EUROBOND GUIDE MAY 30 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.515	1.320	11.010	9.094
Australian Dollar	12.980	0.031	14.630	12.600
Canadian Dollar	10.730	0.506	12.040	10.489
Euroguilder	6.074	0.264	7.090	5.971
Euro Currency Unit	8.400	2.564	9.670	8.164
Yen	6.702	2.571	7.250	6.307
Sterling	10.035	0.461	11.932	9.751
Deutschemark	6.594	0.442	7.260	6.418

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Heavy equipment alliance expanded

Carla Rapoport examines a revitalised joint venture between Caterpillar and MHI

WHEN A joint venture starts going wrong, most participants start looking for the door. But in an unusual reversal of this rule, two power houses in the construction equipment industry have decided to pump another Y23bn ($131m) into their 24-year-old alliance in an effort to make up for past mistakes and better compete in world markets.

The two are Caterpillar, the premier US construction equipment company, and Mitsubishi Heavy Industries, Japan's leading heavy machinery maker. In 1962, the two formed a Japan-based joint venture to manufacture and sell earthmoving equipment. But with sales now at around $930m, Caterpillar Mitsubishi (CM) has been showing little to no profit for at least four years.

The trouble was CM's sales line which did not include hydraulic excavators—and HEs, as they are called, have been providing most of the excitement in the construction equipment industry for the last several years.

According to MHI, HEs now account for 60 per cent of the world construction equipment market. About 60 per cent of all these are made in Japan. The leader is Komatsu, with between 16 and 18 per cent of the world market. MHI and Caterpillar got into the HE business individually, but neither has been able to get anywhere near Komatsu's class.

"In 1962, when we formed the joint venture, hydraulic excavators were in the infancy stage. No one expected such high growth," says Mr Akio Konishi, general manager in MHI's strategic planning office. Talks to expand the joint venture into HEs were begun nearly two years ago, with an agreement only hammered out at the end of last month. In the intervening two years, however, two events have cropped up that make the new venture all the more important.

The first was heightened trade friction from the US and EEC, and the second, the rapid rise of the Japanese yen. The first resulted in EEC dumping duties for Japanese hydraulic excavators last year. The second meant that exporting from Japan is becoming increasingly less profitable.

"We think that making products in Japan and exporting them is not so desirable. We are now taking trade friction into consideration. So the designs for the new joint venture (of HEs) will be done in Japan and the manufacture for the European and US markets will be done in the US and Europe," says Mr Konishi.

MHI currently sells about Y50bn worth of hydraulic excavators. This output will be folded into the new joint venture, bringing total sales for CM under the new arrangement to between Y210bn and Y220bn. The entire output of the improved joint venture will be marketed exclusively through Caterpillar's distribution system, under the Caterpillar trademark. By 1990, according to Mr Konishi, the new joint venture is projected to have world sales of Y300bn.

MHI executives emphasise that following a transitional period, all design for the company's HEs will be centralised in Japan.

In terms of manufacture, the new joint venture will take a strictly multinational approach. Caterpillar currently sources three models of medium and large hydraulic excavators at its Aurora, Illinois plant. In Belgium, it produces the same models and a smaller one at Gosselies.

Over the next few years, Caterpillar and MHI hydraulic excavators will be integrated into a single-product line which will be manufactured at MHI's Akashi plant and at Caterpillar plants in Belgium and Aurora, under licence from the joint venture company. The MHI Akashi plant, along with its 700 workers, will become part of the new joint venture company.

The new latest venture is a direct attempt, although unspoken, by the two companies to re-arm themselves for battle with Komatsu. "Komatsu is number one, of course," says Mr Konishi, with the implicit message that the two companies would like to assume that spot themselves.

The proposal is an intriguing one. Can a US-Japanese multinational joint venture outwit the established Japanese heavyweight? Depending on the speed with which Caterpillar and MHI move, their chances for cutting costs through distribution rationalisation, increased local manufacturing and lower exports from Japan look promising. No doubt Komatsu will be watching their moves closely.

Toshiba's net profits tumble 31%

BY YOKO SHIBATA IN TOKYO

TOSHIBA, THE Japanese maker of electric machinery and consumer products, showed a 31 per cent fall in consolidated net profits to Y59.44bn ($346.5m) in the year to March.

The poor performance was blamed on the long semiconductor recession and the yen's sharp appreciation against the dollar.

Mr Yuichi Yamada, vice president, said yesterday the Toshiba group would probably report a further drop in net profits for the current year, with exchange losses of Y105bn expected due to the persistent strength of the yen.

In the latest year, sales of Toshiba and its 37 subsidiaries rose 0.9 per cent to Y3,372.96bn.

Sales of its industrial and electronics components fell by 2 per cent to account for 33 per cent of the total turnover.

Because of an absence of orders for nuclear power generation plant, sales of its heavy electrical apparatus declined by 10 per cent to account for 26 per cent of the turnover.

Meanwhile, sales in the consumer products division rose 15 per cent to account for 31 per cent of the total. This was supported by strong demand for video cassette recorders both within Japan and overseas — rewarding its switch to the VHS format from Beta.

Overseas sales, representing 31 per cent of total turnover, rose a mere 1 per cent.

Forecasts for the current year are based on a yen-dollar rate of around Y160. Prospects are viewed as weak in the first half, after which the effects are expected to flow from measures Toshiba has taken to cope with the stronger yen, such as shifting production bases overseas.

Overseas sales are expected to grow by 8 per cent to Y1,140bn. Full-year net profits are projected at Y48bn, down 19.2 per cent, on sales of Y3,630bn, up 7.6 per cent from the previous year.

LTA dives deeper into the red

By Jim Jones in Johannesburg

LTA, one of South Africa's leading civil engineering and construction groups, has suffered badly from domestic recession and foreign problems, which led to a sharply increased attributable loss in the year to March.

Turnover fell to R1bn ($412.1m) from R1.14bn, operating profits before interest for continuing operations dropped to R11.8m from R16.8m and pre-tax profits were R1.8m against R8.2m.

However, the after-tax loss of operations which were discontinued during the year increased to R19m from R5.5m, while extraordinary provisions for terminating some of these activities increased the attributable loss by a further R27.7m against only R2.1m in the preceding year.

As a result, shareholders suffered an attributable taxed loss of R46.5m against the previous year's loss of R1.1m. This translated into a loss of 142 cents a share before extraordinary items, against earnings of 8 cents a share in the previous year.

Earlier this week Murray and Roberts (M. & R.), LTA's larger competitor, warned shareholders that it was likely to suffer an attributable loss of R35m this financial year. In March when they presented their interim report, M. & R's directors forecast attributable profits of R22m for the year to June.

LTA was particularly hurt in Australia where the group's South African connections become a liability in tendering for state and private business. As a result the Australian arm was closed.

The board says that the continued low level of investment and lack of confidence in South Africa make it difficult to forecast this year's performance.

LTA is controlled by Anglo American Corporation.

● Plate Glass and Shatterprufe, the building products and automotive glass group, boosted pre-tax earnings 6.1 per cent to R88.9m in its year to March, on turnover 28.6 per cent ahead at R1.89bn.

It is maintaining the total dividend at 105 cents a share, paid from net profits slightly ahead at R32.9m or 202.6 cents a share against R32.1m or 200.7 cents per share.

Fund levies sought from Thai banks

THE BANK of Thailand has asked Thai comercial banks and finance companies to make their first contributions by early July and December to the Fund for Rehabilitation and Development of Financial Institutions, Reuter reports from Bangkok.

The government-run fund was set up early this year under a royal decree to provide the central bank with a mechanism to intervene in operations of troubled financial institutions.

A central bank official said local financial institutions are required to put 0.05 per cent of their total deposits into the fund next month and another 0.05 per cent in December.

The Government expects to levy up to 700m baht ($26.7m) a year into the fund.

Poor half-year result for Melbourne Herald group

BY LACHLAN DRUMMOND IN SYDNEY

THE HERALD and Weekly Times, the Melbourne media group, yesterday announced a 19 per cent drop in interim net earnigs and an all-share bid for the remainder of the 45 per cent-owned magazine distributor Gordon and Gotch.

Herald blamed the fall in earnings for the half-year to March — from A$18.33m (US$12.85m) to A$14.51m—on a drop in advertising revenues for its afternoon newspapers in Melbourne and Perth, lower profits from its two television stations, increased interest rates on higher borrowings, and greater depreciation.

At the pre-tax level profits were even more sharply hit, with a 31 per cent decline from A$29m to A$20.5m after taking in interest costs of A$8.8m against A$5m and depreciation of A$4.7m.

The bid for Gordon and Gotch is set at two Herald shares for each three Gotch, valuing the shares at A$4.27 and the remaining 55 per cent stake at A$55m.

After the interim decline the directors are more optimistic for the remainder of the year, stating that profits since April 1 had improved and that they were reasonably confident the trend would continue. Television revenues had strengthened and there were signs that retail advertisers were returning.

Total revenues improved by 12.8 per cent from A$248.7m to A$280.5m, with the increase attributed to the November acquisition of suburban and rural newspaper interests in New South Wales.

The dividend is unchanged at 7.5 cents a share on increased capital.

Losses mount but Saan sees recovery

By Our Johannesburg Correspondent

SOUTH AFRICAN Associated Newspapers (Saan), the publisher of the Cape Times, Financial Mail and Business Day, sharply increased its losses in the final three months of the 15 months to March but believes that it will return to profits during the current financial year.

Turnover during the 15-month trading period was R157.1m ($64.7m) against R138.1m in the preceding year. The operating loss before interest was R12.15m against R8.28m and the pre-tax loss increased to R18.49m from R7.45m.

The group made an attributable loss of R11.38 a share and a dividend has not been declared. In 1984 the loss was R3.15 a share and a total dividend of 25 cents was paid. Saan is indirectly controlled by Anglo American Corporation, South Africa's largest mining house.

Noranda disposal

Pan Australian Mining is to buy the stake of its partner, Noranda Australia, in the Mount Leyshon gold venture near Charter's Towers in Queensland. The A$5.75m (US$4.03m or £2.70m) deal will give Pan Australian sole ownership of the open-pit project which is due to come on stream later this year aiming at an annual gold output of 46,000 oz, our Mining Editor writes.

French Eurobond market on the road to maturity

BY CLARE PEARSON

THE FRENCH Franc Eurobond market, in its present incarnation just a year old, has acquired a new importance since the 5.8 per cent devaluation of the currency against the D-Mark within the European Monetary Systems (EMS) on April 6.

Since then, the strength of the French franc within the EMS has enabled the French franc Eurobond market to draw a proportion of investors away from the more established D-Mark Eurobond market, which has seen the German currency trade near the floor of its permitted EMS range.

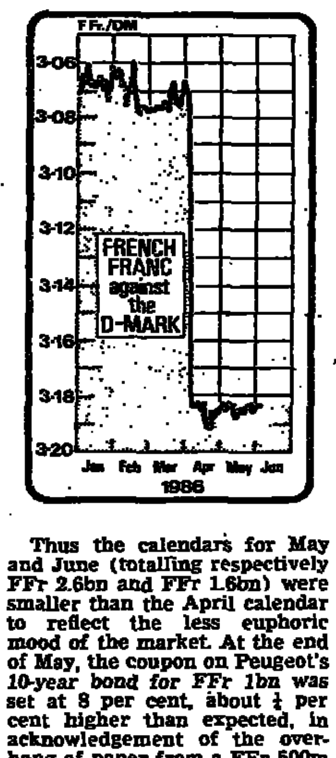
Although the market has been depressed recently because of domestic political uncertainties and in sympathy with the dollar sector, it continues to be sustained by firm expectations of lower interest rates in France.

Re-opened in April last year, after a four-year suspension, the market has seen 36 issues since then totalling FFr17.88bn. The recent strength of the currency has accelerated its development, in terms of both the volume and structure of issues. April saw a record number of bonds launched—five, totalling FFr 3.1bn. During that month a FFr 800m deal for Province of Quebec signalled the sanctioning of 15-year bonds by the French Treasury.

Issues for Finland and Nederlandse Gasunie, launched at the beginning of April and May respectively, were priced with coupons of 7¾ per cent and 7½ per cent, in anticipation of the ½ point cut in bank base rates that quickly followed their launch. Previously, issues had tended to be launched on terms strictly in line with prevailing market rates. Two deals, for *Compagnie Generale d'Electricite* and Peugeot, have been for record amounts of FFr 1bn.

The market has also benefited from the partial dismantling of foreign exchange controls announced by Mr Edouard Balladur, the Finance Minister, on May 15. The foreign exchange premium — the so-called *devise titre* — on purchases by French residents of securities quoted on foreign markets was then abolished. While this had never applied to Eurobonds, it had prevented the sale of equity-related bonds for foreign issuers in the French franc Eurobond market. Its removal should enable the market to take advantage of the relatively buoyant demand for equity-related instruments.

Despite this vigorous development, the conduct of French issuing houses has remained circumspect. One French banker said: "There has been a conscious attempt to avoid the cut-throat beginnings of the Euroyen market."



Thus the calendars for May and June (totalling respectively FFr 2.6bn and FFr 1.6bn) were smaller than the April calendar to reflect the less euphoric mood of the market. At the end of May, the coupon on Peugeot's 10-year bond for FFr 1bn was set at 8 per cent, about ¼ per cent higher than expected, in acknowledgement of the overhang of paper from a FFr 500m issue for Euratom, launched the previous week.

This orderly behaviour has implied a maintenance of morale in the French franc sector while other areas of the market, flooded with tightly-priced paper, have become depressed.

Nevertheless, the market remains minor, not only in comparison with other Eurobond markets but also in comparison with the domestic French bond markets. Most of the substantial capital inflows drawn by the recent strength of the currency have been channelled into domestic bonds. These are *exempt from withholding tax if* issued after October 1984. Government bonds, which accounted for 27.7 per cent of the domestic bond market on December 31, 1985, remain the most attractive investments for foreign accounts. This area of the French franc market has therefore been the *most prolific* in producing new structures, such as zero-coupon bonds.

Given the relatively low liquidity of the market, sentiment is *liable* to change rapidly. This became clear last week after an unexpectedly high April trade deficit of FFr 4.8bn was announced, and in the light of growing signs of conflict between Mr Jacques Chirac, the Prime Minister, and President Francois Mitterrand.

Peugeot had the ill-luck to launch a FFr 1bn bond into a market which had become jittery. French bankers described Peugeot's as "the worst deal since the reopening of the market." It was quoted at the end of last week at a bid price representing a discount to issue price of 2¼ per cent.

Some bankers have pointed out that bonds of the benchmark size of FFr 1bn should have been launched for sovereign borrowers or multinational companies, rather than for CGE and Peugeot.

Despite faltering recently, however, the French franc market remains sustained by the expectation that interest rates in France will decline during 1986. Upwardly revised estimates for inflation this year still put it at under 3 per cent. Recent developments in the market, therefore, look like stages on the road to maturity, rather than temporary, post-EMS realignment phenomena.

IFC plans substantial increase in borrowing

By John Wicks in Zurich

INTERNATIONAL Finance Corporation (IFC), the private sector agency of the World Bank, plans to borrow around $4bn on the capital *markets during the five-year* period 1985-89.

Mr Richard Frank, the corporation's director of finance and planning, said in Zurich yesterday that IFC was carrying out a "major expansion of its operation."

It intends to provide nearly *$7bn of financing in the* period for some 400 new investments with a total value of around $30bn.

This means that IFC's new financial commitments will be roughly equal to those over the whole of the corporation's history. Since its foundation 29 years ago, IFC has approved about $7.2bn for 848 projects worth a total of $30bn. For the 10-year period 1985-94 Mr Frank said *borrowing* requirements might amount to some $6bn to $7bn.

Mr Frank was introducing IFC's first direct Swiss franc *borrowing, involving the issue* of SwFr 100m ($55.5m) seven-year bullet bonds in the form of a private placement. Proceeds are to be used to fund Swiss franc *loans* in the region of some $200m to $250m.

The Swiss issue has brought total financial market borrowings for the year to June to the equivalent of $350m. This figure had been intended not to exceed $250m and the increase was the result of "sharp interest-rate declines, particularly during the second half of the fiscal year, and the excellent reception and fine *pricing accorded to IFC's* borrowing transactions," said Mr Frank.

The corporation has had direct access to the capital markets only since the end of 1984. In the first 18 months of its activities in this sector, it has raised over $470m, in the Euromarket and in Germany and Switzerland.

Mr Frank said a substantial proportion of IFC funding would in future come from *the capital markets. At the* same time the corporation's capital will be increased from $550m to $1.3bn by 1989.

Yamaichi launches deal in sterling

BY CLARE PEARSON

YAMAICHI INTERNATIONAL (Europe) became the first Japanese issuing house to run the books on a sterling issue yesterday when it launched a £20m equity warrants bond on behalf of its parent, Yamaichi Securities. The bond is part of *a three-tranche* financing, iwth an additional $40m being offered in Europe, and $30m in Asia, through Yamaichi International (HK).

All three tranches were trading well yesterday, bid at the level of their par issue prices. Dealers felt this reflected *their relatively generous* coupons: indicated at 3¼ per cent on the five-year sterling tranche, at 4 per cent on the 10-year Eurodollar tranche, nad at 3½ per cent on the seven-year Asian deal.

Yamaichi said it had priced a three-tranche financing, with *10-year Eurodollar* tranche, and the bonds "in realistic market terms" in view of the fact that many Japanese equity warrants deals are now trading at loss-making levels. This has arisen because, while yields on fixed-rate bonds have been rising, equity warrant bonds have continued to be priced with very low coupons.

Equity warrant bonds also moved to centre-stage in the Ecu sector yesterday when Banque Paribas as book-runner, and Nippon Kangyo Kakumura as lead-manager, launched an Ecu 100m bond for C. Itoh, the *Japanese trading company.*

The five-year bond is guaranteed by Dai-Ichi Kangyo Bank. Pricing will take place on June 10, but the coupon is indicated at 2¼ per cent. The warrants' exercise premium is expected to be 2½ per cent, and they will be exercisable throughout the *bond's life.* Banque *Paribas* quoted a trading range of 99 to 100, as against a par issue price.

Nomura International launched towards the end of the afternoon a $70m equity warrants bond for Maruetsu, the Japanese supermarkets chain. The five-year bond has a coupon *of 2¼ per cent and a price of* par, but other terms will be fixed on June 13.

Yamaichi International (Europe) took time off from *launching their own deals to* price a $150m seven-year equity warrants bond for Fuji Heavy Industries. The coupon was set at 3¼ per cent, as had been indicated, and the xercise price at Y554. This represented a 2.5 per cent premium over yesterday's Y540 closing price.

With the dollar floating-rate note sector still looking healthy, Morgan Stanley launched a $200m 10-year floating-rate note for the unrated National Bank of Canada. The coupon was set at ⅛ per cent over six-month London interbank offered rate and price at par. Fees total 0.5 per cent, and the bond was quoted at prices within this level.

Den norske Creditbank's London subsidiary launched a $15m floating-rate note for Varde, the ninth largest commercial bank in Denmark. The eight-year bond pays interest at ¼ point over six-month London interbank offered rate and has a minimum coupon of 5¼ per cent. Fees total 50 basis points. The bond is callable in 1991 and 1992 at 100¼, and in 1993 at par.

Varde also borrowed DKr 100m yesterday, with a seven-year 9⅝ per cent bond *through Chase Manhattan.* Varde itself was co-lead. The price was set at 100¼ and the bond is callable after six years at 100¼.

The D-Mark market was buoyed by overnight strength in New York, with prices moving up by ¼ point. Westdeutsche Landesbank took advantage of this to launch a DM 50m seven-year bond for Japanese Suminoe Textile. *Pricing will take place on June* 9, but the coupon was indicated at 1¼ per cent. The bond traded at about 105 bid, against a par issue price.

Schweizerische Bankgesellschaft (Deutscheland) priced a recent DM 100m equity warrants deal for Intershop. The coupon was set at 2¼ and the exercise price at SFr 890, the closing share price in Zurich yesterday.

The Swiss franc market traded more actively than recently. Price changes were mixed. Union Bank of Switzerland arranged a SFr 80m five-year private placement for New Brunswick Electric Power Commission. The coupon was set at 5 per cent and priced at 100¼.

Oesterreichische Postsparkasse's *SFr 150m 5 per cent bond* due 2002 traded for the first time yesterday. The closing price was 98 compared with a 100¼ issue price.

Novel rights issue finance for Alan Bond

MR ALAN BOND, chairman of Bond Corporation, the Australian brewing, media and energy group, is financing his A$100m participation in a recent A$196m one-for-two rights issue for the company by means of a novel financing in the Swiss *franc bond market.*

The financing takes the form of a SFr 200m private placement of notes issued by a vehicle company, Shield Enterprises, and convertible into up to 25m Bond Corporation shares. The guarantor is Dallhold Investments Proprietary, the main assets of which are 150m shares, Mr Bond's 51.4 per cent shareholding in Bond Corporation. Half of the shares provide the collateral for the issue.

The balance of the proceeds of the transaction, roughly A$40m, will be used to consolidate some of Dallhold's debt.

The conversion price is A$6, almost double yesterday's share price of A$3.22. To compensate for this, the bond's coupon is indicated at 6¼ per cent, almost the level of "straight" fixed-rate financings in the Swiss franc market. Final terms will be fixed on June 17.

Bond Corporation's share price has more than doubled over the last year, during which the company has taken over Castlemaine Tooheys, giving it a large share of the Australian beer market. The share price has fallen from A$4.20 since the mid-April rights issue, however.

Given the high conversion premium, investors in the bond will be protected by a prepayment clause in the event of a takeover of Bond Corporation.

Denominations are SFr 20,000 and Soditic, the lead manager, said this was meant to discourage small investors. The issue will be public, rather than a private placement, but will not belisted. Swiss bankers commented that it was unlikely that the Zurich stock exchange would permit a listing for this type of transaction.

S & P to assess sovereign debt

BY ALEXANDER NICOLL

STANDARD & Poor's, the US debt rating agency, is to publish broad assessments of the credit quality of selected foreign sovereign borrowers.

S & P already assigns ratings to the long-term debt of 16 governments at their request. The new service, however, will not give specific ratings because S & P says the letter-rating *system requires the co-operation* of the issuer in order to make necessary credit quality distinctions.

Six standard descriptions of credit worthiness will be applied, without a direct parallel to the letter rating system. The assessments would provide a broad statement about a government's capacity, in the *agency's view, to service senior* publicly-held debt.

S & P said that governments to be evaluated first would include Ireland and Italy. Belgium, Greece, Iceland, Malaysia, Portugal, Singapore, South Korea and Spain could be added later. The list, it said, was based on recent and prospective activity in the bond markets.

Capital notes from Mitsubishi Bank

MITSUBISHI BANK has presented a plan to the Japanese Ministry of Finance to strengthen its equity ratio through a $100m issue of capital notes in the Euromarkets, Yoko Shibata reports

The proposed issue, which would take place in the third quarter, would be the first such by a Japanese city (commercial) bank. Capital notes have been widely used by US, British and West German banks to *strengthen their* equity bases.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on June 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	100⅝	101¼	+1⅛	−1½	9.66
Atlan. Richfield 10¼ 00	250	102¾	103¼	+0⅝	−2⅝	9.86
Australia Com. 11 95	200	112⅛	112⅝	+0⅝	−3	8.95
Australia Com. 11¼ 00	100	111¼	112¼	+0⅝	−3⅝	9.65
BP Capital 9⅛ 94	100	98¾	99⅛	+1½	−0⅛	9.30
BP Capital 11⅛ 92	150	106½	106¾	+1½	−1¼	9.56
Campbell Soup 10½ 95	100	107½	108	+0⅛	−2¼	9.21
Canada 9 96	1000	101½	102	+0⅛	−3⅛	8.72
Canada 11½ 90	500	109½	110	+0⅛	−1⅛	8.39
Canadian Pac. 10¾ 93	100	105¾	106¼	−0⅛	−2⅛	9.58
CEPME 10¼ 91	100	104¾	105¼	+0⅛	−2	8.92
Chicorp 10 88	200	†102⅝	102⅞	−0½	−1⅛	8.62
Citicorp 10⅝ 95	225	†102⅞	103⅜	+0⅛	−1¼	10.05
Credit Lyonnais 9 91	200	100⅝	101½	−0⅛	−2⅛	8.69
Credit National 9⅛ 93	150	100⅝	100⅞	+0⅛	−2⅞	8.99
Denmark Kingdom 7¾ 93	250	94½	95	+0⅛	−2⅛	8.80
Denmark Kngdm. 11½ 90	100	108⅝	109⅛	+0⅛	−1½	8.70
Denmark Kngdm. 11½ 92	100	111	111½	+0⅛	−2⅛	8.94
EDC 8½ 92	100	99¼	99¾	+0¼	−2⅞	8.40
EDC 10 95	225	104½	105	+0⅛	−3	9.19
EEC 8⅝ 91	150	100¾	101¼	+0½	−1¼	8.39
EEC 9⅝ 90	350	103¾	104¼	+0⅛	−1	8.42
EIB 10¼ 94	200	106¼	106¾	+0⅛	−2⅛	9.11
EIB 12 95	200	116⅞	117⅜	+0⅛	−3⅛	9.09
Eli Lilly 10¼ 92	150	107¼	107⅞	+0⅛	−1⅞	8.42
Eqult. Lord Rlty. 10½ 97	100	†101⅞	102⅜	+1	−2⅛	10.16
Export Dev. Cpn. 10 90	100	105⅛	105⅝	+0⅛	−1⅞	8.36
Fed. Dep. Strs. 10⅛ 95	150	106⅛	106⅞	−0⅛	−2⅛	9.02
Ford Motor Cred. 10½ 91	150	104⅝	105⅛	+0⅛	−1⅞	9.30
Ford Motor Cred. 11⅛ 90	100	106¼	107¼	+0⅛	−1⅞	9.05
Gen. Elec. Cred. 10¼ 00	200	104¼	104¾	−0⅛	−1⅞	9.65
GMAC 10¼ 89	200	104½	104⅞	0	−0⅞	8.44
GMAC 10¼ 92	250	104⅞	105¼	−0⅛	−1⅞	9.20
IADB 9⅞ 95	200	105⅛	105⅝	0	−3⅛	8.98
IADB 10½ 95	150	109	109½	+0⅛	−4⅛	8.98
Kellogg Co. 10⅞ 90	100	105	105½	−0⅛	−1⅞	9.09
Kellogg Co. 11¼ 92	100	107	107½	−0⅞	−1	9.50
New Zealand 8⅞ 93	150	95⅝	95⅞	+0⅛	−3⅛	9.13
Pepsico Inc. 7⅞ 93	200	93¼	94⅛	+0½	−2¼	8.55
Proct. & Gamb. 'A' 9⅞ 92	150	†103⅛	103⅝	+0⅛	−1½	9.14
Pru Realty Secs. 12⅛ 95	546	114	114½	+0⅛	−1⅛	9.60
Qantas Airways 10⅛ 95	140	103⅛	103⅝	−0⅛	−5⅛	8.99
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

Commercial paper for Metal Box

By Our Euromarkets Staff

Metal Box, the UK packaging group, is arranging a £100m programme allowing it either *to issue Eurocommercial* paper in dollars, or to tap the recently-launched sterling commercial paper market.

The deal is the latest in which the ability to issue sterling paper is added to a Eurocommercial paper programme. The company already issues commercial paper in the the US and is rated Prime-1 by Moody's Investors Service. It has appointed Citicorp Investment Bank, *Swiss Bank Corporation International* and S G Warburg as dealers for the new paper.

It will use the programme to replace short-term bank borrowings. Issues in dollars or sterling will depend on competitiveness of rates and precise borrowing requirements, but the company said it was "reasonably liquid" in sterling at present. Metal Box is expected to invite bids for dollar paper at the end of the week.

Foreign buyers boost Korea Fund assets

By William Hall in New York

Overseas investors have injected an extra $38m into the Korea Fund, a closed-end investment company, which is standing at a very sizeable premium to its underlying net asset value because it is one of the few ways foreign investors can invest in the Korean stockmarket.

Scudder, Stevens & Clark, *the US brokerage firm which* is managing the Korea Fund, has sold 1.24m shares to a group of underwriters led by First Boston Corporation, swelling net assets of the fund to $130m.

The fund was launched in August 1984 through an *Initial Public Offering in the* US at $12 a share. Non-Koreans are prohibited from owning Korean shares and *American Depositary Receipts* are not available.

The shares of most closed-end investment companies, which are similar to British investment trusts, sell at a substantial discount to net asset value. However, the Korea Fund is an exception by virtue of its privileged position in the Korean financial markets and last Friday its shares were standing at $32¼, a premium of 48.3 per cent over net asset value of $21.75 per share.

INTL. COMPANIES

Geneva bourse set for future expansion

BY WILLIAM DULLFORCE IN GENEVA

GENEVA officially inaugurated its new stock exchange yesterday, formally announcing that it was now equipped to cope with an expansion of business which has been averaging 25 per cent a year and has been strongly boosted by foreign investors.

With advanced technology installed and successfully operating, the Geneva bourse has the means to expand its role as an international stock trading centre, Mr Georges Urban, president of the bourse commission, said.

At the end of December, Geneva listed the shares of 211 foreign companies, of which more than half came from the US; 181 Swiss companies were quoted. Foreign bonds accounted for 770 of the 1,709 listed and new foreign issues outpaced domestic in the first months of this year.

The Geneva exchange feeds off the city's 120 banks and some 300 registered security dealers whose main business is managing portfolios. Turnover in 1985 measured SFr 210bn ($113bn) an increase of 25.4 per cent over 1984, and that rate of growth was maintained in the first quarter of this year.

Trading was in fact switched in March from the cramped quartes in the rue Petitot, where Switzerland's oldest bourse had operated for the past 73 years, to the concrete and steel business centre being completed round the corner in the rue de la *Confédération*.

The new bourse is inserted into the building like a giant, four-floor capsule stuffed with 10,000 km of cables of optical fibres. This construction was necessary because the site is at the bottom of the hill up which the old city climbs and only 4 metres above the groundwater level.

Foundations had to be specially strengthened against pressure from the hill and at the same time space had to be provided between the basement walls to cope with possible water seepage and maintain the right climate for the computer centre.

At a cost of some SFr 60m, Geneva now has a fully modern exchange with three trading rings – one each for Swiss shares, foreign shares and bonds – which retain the traditional open outcry dealing method but are served by an electronic floor-reporting system giving real-time information on price movements.

Installed computer capacity is sufficient to handle the automatic transaction settlement and computer-aided trading systems which are the next steps in the programme of modernisation. Trading in options and futures is in the pipeline and a project for a "second market" of unlisted securities is being evaluated.

Lutz goes to Chrysler

BY TERRY DODSWORTH IN NEW YORK

MR ROBERT Lutz, head of Ford's North American truck operations, has resigned to take a job at Chrysler only three months after he was moved back to the US from running Ford's European operations.

The move was widely seen in Detroit as Mr Lutz's riposte to Ford's decision to shift him from Europe to a job which was apparently lower in the Ford executive hierarchy – executive vice-president of north American truck operations.

Mr Lutz becomes executive vice-president in the Chrysler Motors unit. He will be responsible for international operations, trucks and the group's component businesses.

Acquisitions lift Danish brewer

By Hilary Barnes in Copenhagen

UNITED Breweries, Danish producer of Carlsberg and Tuborg lagers, said first half sales revenues were up by 12 per cent, mainly from acquisitions and operating profits were ahead.

The interim report gives no figures, but reveals that domestic sales were slightly lower than last year, partly because rising Danish taxes have encouraged buying of beer across the border in West Germany. Sales from operations abroad, both from wholly owned breweries and under licence, have increased, said the report.

● SDS, the big Danish savings bank, is setting up a wholly owned bond and share trading subsidiary. The broking firm will take advantage of a legislative change which ends the monopoly previously enjoyed by 26 broking firms on the Copenhagen stock exchange.

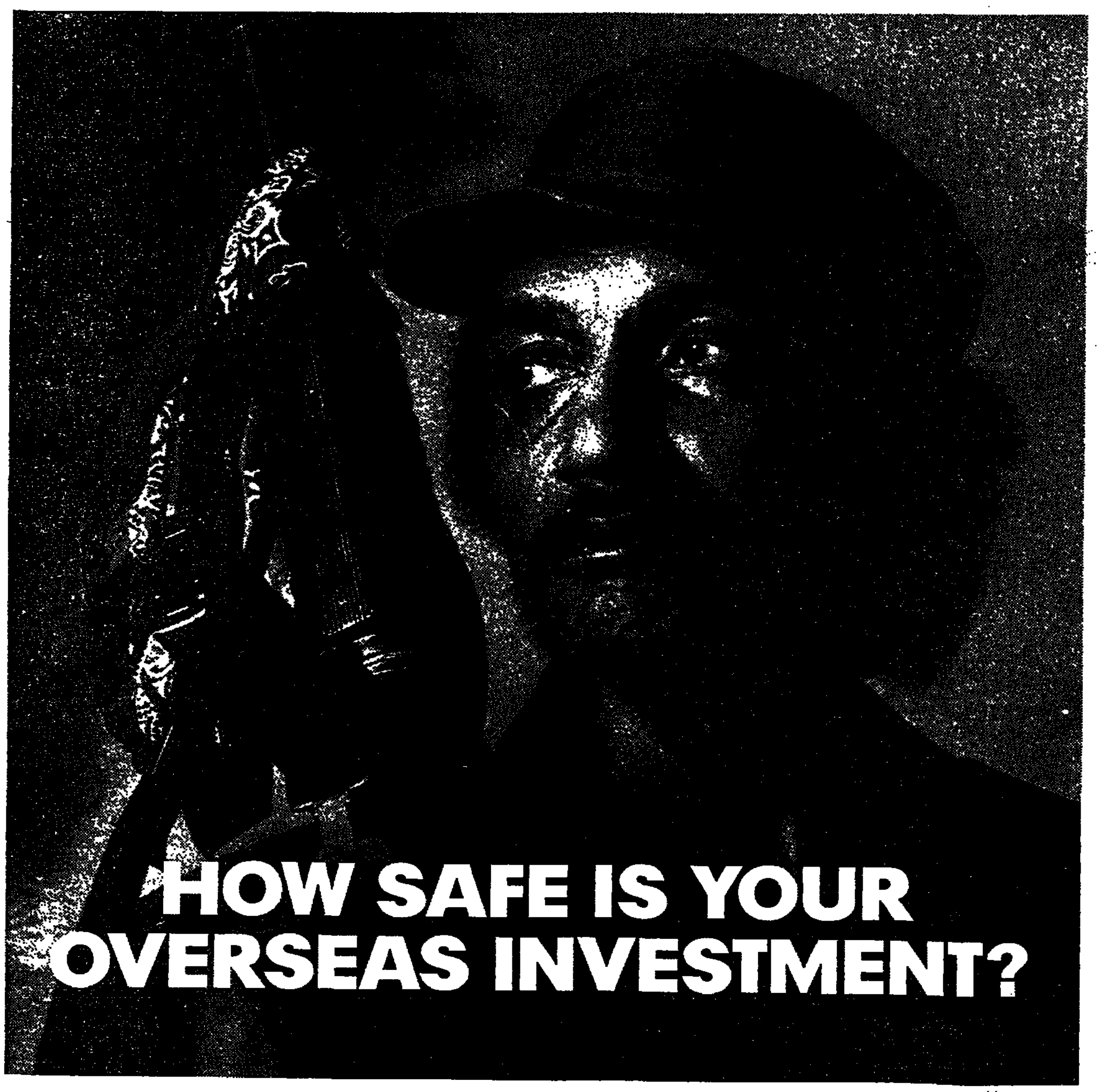
Jacobs buys more of Tidewater

AN INVESTOR group including Minstar, the takeover vehicle of Minneapolis investor Mr Irwin Jacobs, has raised its stake in Tidewater – owner of a large fleet of oil and gas vessels – to 4.48m shares, or 23 per cent.

The group said, in an SEC filing that it bought 816,200 shares in Tidewater between April 28 and May 27 at between $6 and $8 a share.

Tidewater last year rejected a $415m takeover offer from Mr Jacobs worth an estimated $25–$28 a share. Mr Jacobs' group has resumed stock purchases after an agreement to limit its holdings to 15 per cent expired last November.

Loews, the US cigarettes and financial services group, has lifted its stake in CBS, the broadcasting, records and publishing group, to 17.7 per cent. In an SEC filing the company said it held 4.17m CBS shares, including 254,800 acquired during April and May at between $133 and $134.375 each.

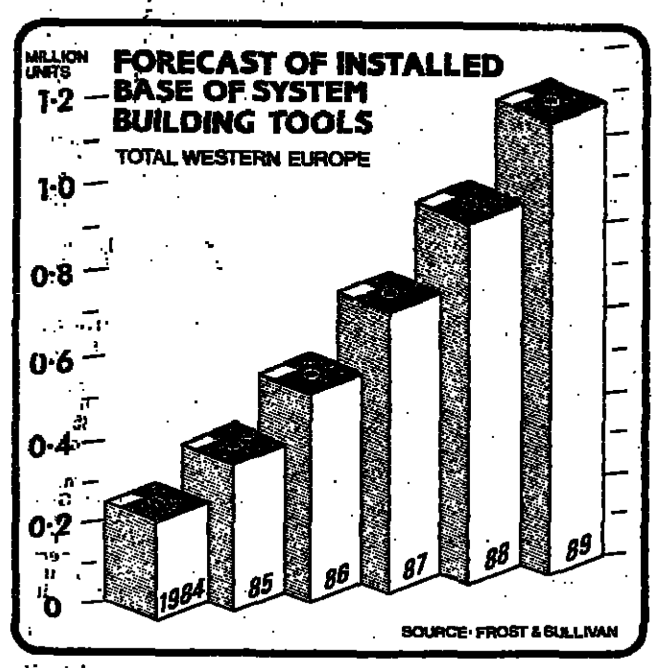


TECHNOLOGY: Computing

BY ALAN CANE

Programmers are forced to take their own medicine as large projects yield to computerisation

Fresh moves to end the 'software crisis'



SOLVING the riddle of how to produce reliable software quickly and economically has been the bane of the computer industry for virtually its entire existence.

There have been substantial improvements in productivity and reliability in recent years *through the use of high* level languages and formal methods for undertaking software projects. But according to a study carried out by PA Computers *and Telecommunications*, more* than 50 per cent of software projects in the UK last year overran on both time and cost.

With an anxious eye to the *massively more* complex programs planned for tomorrow's systems, some are already describing the situation as a "software crisis."

Such alarmist views, however, are not universal. Mr Philip Hughes, chairman of the UK-based computing services company Logica, told an evening meeting of the Royal Society last month that the problem had stretched back over the past 25 years.

"What we have is a series of development problems rather than a crisis," he said, going on to make the case for profound improvements in the reliability, performance, maintainability and portability of tomorrow's software.

The key to improvement is usually thought to lie in "software engineering," attempts to change the software development process *from* an undisciplined art to a formal science based on engineering principles.

Compare software production with the construction industry, for example. Builders follow plans and agreed practices to ensure their construction will be well-found, safe and completed close to schedule.

Software construction methods exist, but in rudimentary form. Much of the thrust of software engineering is towards formalising the most *useful* of these methods and developing computer-based techniques (software tools) to make the production of the software itself easier and more economical.

The PA study suggests that software *methodologies* are already in widespread use, but that software *tools* have yet to be fully exploited.

It says: "Use of available tools is low in software projects, suggesting limited awareness or confidence in existing tools and their potential benefits."

A study by the New York-based market consultancy Frost and Sullivan** makes a similar argument: "It is clear that system building tools (software tools) will have a distinct role to play in the systems development process of the future. As yet, however, their potential impact has not been fully realised."

Their widespread use is being held back, Frost and Sullivan suggests, because data processing departments are conservative and concerned about the de-skilling of their jobs through automation.

The rewards from the use of these advanced new tools could be substantial, however. PA estimates that in the UK alone, benefits from the use of software tools could amount to annual savings of about £360m: "The equivalent of releasing about 24,000 software engineering staff to undertake additional development."

But software tools used on their own are of little benefit, the study shows. Maximum advantage comes from combining formal development methodologies with computer-based tools. This page features three recently announced software engineering methodologies which point the way towards automated software production and the end of the "software crisis."

* Benefits of Software Engineering Methods and Tools, Department of Trade and Industry, £25. ** System Building Tools Market in Europe, Frost and Sullivan, $2,150.

Software engineering methods in large scale projects

Project discipline	% of Respondents using Software engineering	% of Users who consider *it effective*	% of Users using Automated *Tools*
Project Management ...	83	75	15
Software Construction	81	84	27
Stage Documentation & Change Control ...	76	77	9
Integration Testing ...	73	91	15
Program Testing	65	85	15
Quality Assurance ...	47	60	2
System Requirements & Design	43	77	24

Source. PA Computers and Telecommunications

Workbench which will kill coding drudgery

POETS AND programmers like metaphors which hint at sweat and dirty fingernails. W. H. Auden had his "Cave of Making," his study where verses were manufactured; programmers have "workbenches" where code is machined out of pure intellect. Or so they would have you believe.

The latest and most innovative of these programmers' workbenches has been developed by management consultants Arthur Young in cooperation with Knowledgeware, a US company headed by Mr James Martin, a well known and respected data processing consultant.

It aims to replace much of that programmer intellect by computer power. Indeed, by next year it should be possible to generate entire programs in a language the computer can understand from a system specification without human intervention.

Arthur Young's Information Engineering Workbench is a powerful personal computer running computer aided design (CAD) and expert system (ES) software, and designed to automate much of the manual work which goes into traditional programming.

The starting point is the ability to construct on the screen, and in colour, diagrams showing the relationship between different segments of a *program or suite of programs.*

This in itself is not new. A program called Excelerator, sold by Information Engineering Products, the marketing arm of James Martin Associates, makes possible the creation of data flow diagrams, data model diagrams and so on directly on the computer screen.

The Arthur Young system, however, does not simply store each diagram but tests that new work is consistent with work already done. It all depends on an "encyclopaedia," a piece of software buried deep in the workbench which stores and defines the meaning of each diagram created on the screen.

The whole suite is, in fact, a clever combination of three separate kinds of advanced computing techniques. The graphical work on the screen and the partitioning of the *screen into separate "windows"* is handled by Gem software from Digital Research.

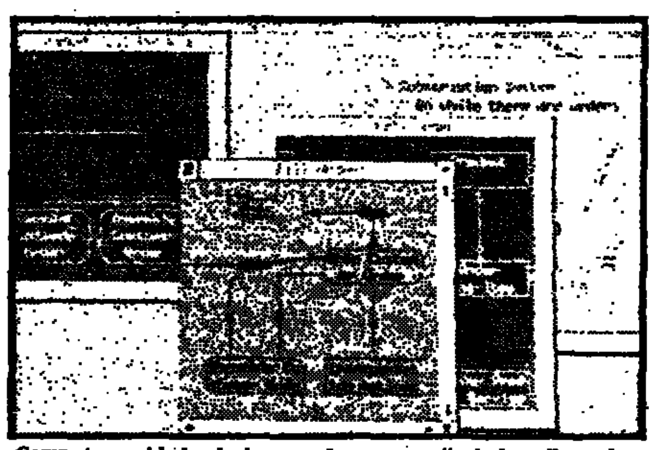
The meaning and consistency of the information in the diagrams is the responsibility of a knowledge coordinator, an expert system containing over 1,000 rules drawn from the collective wisdom of a panel of leading information engineers.

And the encyclopaedia is a relational database, a memory technique which enables the programmer to look at the stored information in a variety of different ways.

Arthur Young claims to be out on its own at present with this development tool, although *it thinks that competition will* develop quickly now it has shown the way. Its UK customers include Midland Bank, the Manpower Services Commission and a number of major oil companies.

The system currently puts out systems specifications that a human programmer uses to write code for the computer. The plan next year when a mainframe version is available is to link the workbench "seamlessly" to a program generator which will automatically produce programs written in Cobol (common business orientated language).

At present the workbench *costs £7,500 for one copy.*



Computer aided design and screen "windows" make programming easier

Framework for better projects

THE brightest stars in the software engineering firmament are Integrated Project Support Environments or IPSEs, ambitious attempts to create computer-based management systems for the control of large software projects.

GEC Software, a subsidiary which the electronics giant established in 1983 with the object of developing software engineering tools for use *within GEC and for sale outside, late last month announced a special kind of IPSE it* calls GENOS.

The simplest way to under*stand an IPSE is to regard it* as a database, a collection of all the information about a project so arranged that each member of the project team *can have access to the* information necessary for their work and which makes it difficult or impossible for them to break the agreed *rules of the project—the date by which* a certain piece of work should be complete, for example, or the exact definition of a piece of data.

According to Mr Derek Alway, GEC Software managing director, GENOS works in a rather novel way.

It is so designed that it will *operate with any database* whether it be a traditional file-based system, an advanced relational model or even the Esprit-funded European Portable Common Tool Environment (PCTE) which only exists as yet in demonstrator form.

GENOS is, in fact, a framework for an IPSE which makes the best use of what the customer has already. According to Mr Alway: "We implemented GENOS in a pragmatic way so that it can be used with today's technology. Customers can use it right away. And we used an open architecture so they can slot in any variety of software engineering tool — ones they have written themselves, for example, or even tools written by our competitors."

Tools which are already available from GEC include GECOMO, an aid to estimating software development and maintenance costs and VADS, a system for developing the advanced computer language Ada, from Verdix Corporation.

The vital part of GENOS is what is called the common user interface, a system which makes the controls necessary for all the various components of the IPSE seem the same to *the user.*

It is independent of hardware, operating system or database technology and depends on common displays with standard forms, menus and screen windows.

The heart of the system is the "Environment Administrator's Toolkit"—a piece of software used by the project manager to set the rules for the organisation of the project and define the role of each member of the project team.

According to GEC: "GENOS offers increased security over standard operating system mechanisms because users cannot move outside the role specified for them . . . it automatically constrains users to the tools, files and methods of accessing data specified by the Environment Administrator."

Although the advantages of such detailed management control are clear, it is also obvious why *PA* and Frost & Sullivan (see the introductory article) identified antipathy among traditionally trained programming staff to such *methodologies.*

A basic GENOS framework costs from £6,000 running on a Sun-3 workstation to £24,000 on a DEC VAX 11/780. Software *tools to taste,* extra.

Full tool kit for the top 1,000

WHILE GEC *Software* provides the framework for an IPSE, Imperial Software has developed in its ISTAR product, announced earlier this year, a complete and dedicated set of software tools and databases. This is reflected in the price — £2,000 per team member with a minimum of 100 members in the team *to justify the investment.*

Vic Stenning, Imperial's technical director, set out to create in ISTAR a comprehensive software engineering toolkit which would cover the full product life cycle, from initial identification of the customer's requirements to maintenance *and development of the final* system.

Unconventionally, there is no central database. Instead a project is split up into a number of "*contracts*" with its own team of programmers and a manager as the metaphorical client.

Each contract has its own *autonomous relational* database.

A wide range of software tools is already available, from time and cost estimation *through to electronic mail for* communication between ISTAR team members.

Project environments like ISTAR are at present only for *large companies.* The PA report concluded that only between 600 and 1,000 companies in the UK could be considered potential purchasers of the larger soft*ware engineering products.*

Imperial's initial target market is accordingly the major software producers — systems companies, telecommunications companies and computer manufacturers.

Now the search is on for ways to computerise the production of software engineering tools. *In February, this year,* Imperial started a new project, Genesis, part funded by the European Esprit initiative to build a software tool to build *sofeware tools.*

Company Notices

NOTICE OF REDEMPTION PRIOR TO MATURITY TO HOLDERS OF

ALL NIPPON AIRWAYS CO., LTD.

8.8 per cent. Currency Linked/U.S. Dollar Payable Guaranteed Bonds due 1990 with an Aggregate Face Amount on Issue of U.S.$40,000,000

NOTICE IS HERBY GIVEN to the Holders of U.S.$40,000,000 8.8% Bonds due 1990 (the "Bonds") of ALL NIPPON AIRWAYS CO., LTD (the "Company") that pursuant to Condition 5(B) of the terms and conditions of the Bonds, the Company will redeem on July 7, 1986 all of the Bonds then outstanding.

The price at which the Bonds will be redeemed will be 102 *per cent. of their* Base Amount.

The dollar amount of payment of principal, premium and interest accrued to and including July 6, 1986 shall be calculated by applying the provisions of Condition 7(C) of the terms and conditions of the Bonds.

Payment of the above-mentioned amount will be made on or after July 7, 1986 upon presentation and surrender of Bonds, together with all coupons appertaining thereto maturing after the redemption date at the principal office of The Mitsui Bank, Limited, 34/35 King Street, London EC2V 8ES or at the office of Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg, Luxembourg or at the office of Kuwait International Investment Co. s.a.k., Al Salhia Commercial Complex, Kuwait City, Kuwait.

ON AND AFTER JULY 7, 1986, INTEREST ON THE BONDS WILL CEASE TO ACCRUE.

ALL NIPPON AIRWAYS CO., LTD
BY: The Mitsui Bank, Limited, London
as Principal Paying Agent
June 5, 1986

ASIA NAVIGATION INTERNATIONAL LIMITED

6½ per cent. Convertible Guaranteed Bonds 1989 ("the Bonds")

At the meeting of the holders of the Bonds, held on 4th June, 1986, the extraordinary resolution in connection with the proposal for redemption of the Bonds ("the Bond proposal") was duly passed. In accordance with the terms of that resolution, the conversion rights attaching to the Bonds are suspended until the date upon which redemption takes place, which date will be notified to holders of the Bonds once the Bond proposal becomes unconditional, as stated below.

At the meeting of the minority shareholders of Eastern Asia Navigation Company Limited ("EAN"), also held on 4th June, 1986, and convened by direction of the Supreme Court of Hong Kong ("the Court") to approve the proposal for the acquisition by Maritime Finance and Capital Corporation of the minority interests in EAN by a Scheme of Arrangement ("the Scheme"), the resolution approving the Scheme *was duly passed and at the subsequent* Extraordinary General Meeting of the shareholders of EAN the resolution approving the Scheme and the steps required to implement it was also passed.

The Hearing of the Petition to sanction the Scheme is expected to be held on 23rd June, 1986. Assuming the Scheme is approved by the *Court, it is expected to become effective on 24th June, 1986.* Thereupon, the Bond proposal will become unconditional and notice will be given to the holders of the Bonds of the date upon which the Bonds are to be redeemed.

By Order of the Board of
EASTERN ASIA NAVIGATION COMPANY LIMITED
World-Wide Secretaries Limited
Secretaries

Dated 4th June, 1986

MALAYSIA MINING CORPORATION BERHAD
(Incorporated in Malaysia)
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of members of Malaysia Mining Corporation Berhad will be held at the International Hall, Ground Floor, The Merlin Hotel, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia, on Thursday, 3rd July, 1986 at 11.00 am for the purpose of considering and, if thought fit, passing the following resolutions:

1. "That the respective balance sheets and profit and loss accounts together with the notes thereon of the Company and of the Group for the year ended 31st January, 1986 and the reports of the Directors and Auditors be and are hereby received and adopted."
2. "That Mr F. K. J. Jackson, who retires by rotation, be and is hereby re-elected a Director of the Company."
3. "That Encik Zain Azahari bin Zainal Abidin, who retires by rotation, be and is hereby re-elected a Director of the Company."
4. "That Messrs. Peat, Marwick, Mitchell & Co. who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."

By order of the Board
ABDUL MALEK ABDUL MAJID
WAN MOHAMED WAN YUSOFF
Secretaries

Kuala Lumpur
5th June, 1986

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Copies of Directors' service contracts are available for inspection at the registered office of the Company in Kuala Lumpur on any weekday (except Saturday) from 5th June to 2nd July, 1986 during usual business hours and will be available for inspection at the International Hall, Ground Floor, The Merlin Hotel, No. 2, Jalan Sultan Ismail, 50250 Kuala Lumpur on 3rd July 1986 prior to and until the conclusion of the Annual General Meeting. A form of proxy, to be valid, must reach the Malaysian Registrars' office or the United Kingdom Registrars' office not less than 48 hours before the meeting.

Residential Property

CLASSIFIED ADVERTISEMENT RATES

From January 1, 1986

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Commercial & Industrial Property	11.50	39.00
Residential Property	9.00	30.00
Appointments	12.00	41.00
Business, Investment Opportunities	11.50	39.00
Business for Sale/Wanted	11.50	39.00
Personal	9.00	30.00
Motor Cars	9.00	30.00
Holidays & Travel	9.00	30.00
Contracts & Tenders	11.50	39.00
Book Publishers	—	net 22.00

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For further details write to:
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Financial Times, 10 Cannon Street, London EC4P 4BY

Art Galleries

ANDREW WYLD GALLERY, 17, Clifford Street, London, W1. THE WATER-COLOURS OF SAMUEL JACKSON (1794-1869). A Loan Exhibition from *The City of Bristol Art Gallery.* 9.30-6.00 Mon.-Fri. Until 18 June. Admission Free.

LEGER, 13, Old Bond Street. ENGLISH PICTURES FOR THE COUNTRY HOUSE. Mon. to Fri. 9.30-5.30.

FINE ART AND ANTIQUES FAIR — Olympia. Daily until June 7th. 280 Leading British Antiques Dealers selling Antiques from £5 to £100,000. 11.30 am to 8 pm each day until June 6th; 11.30 am to 5pm Sat. June 7th. Entry £3.50. Free Collector's Guide.

OMELL GALLERIES, 22, Bury Street, SW1. Tel: 01-839 4274. EXHIBITION C: MARINE PAINTINGS. 2nd June-23rd June. Mon.-Fri. 10-5.30; Sat. 10-1.

Reed profit surge prompts 10% jump in market value

BY TONY JACKSON

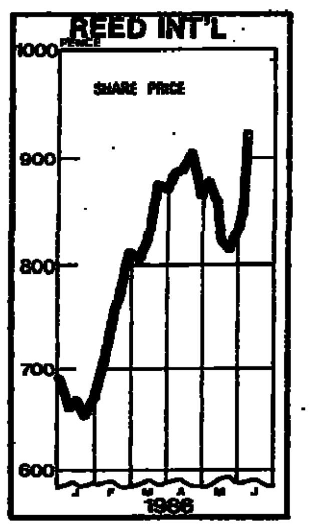
Reed International astonished the market yesterday with a 39 per cent jump in second half pre-tax profits, bringing the total for the year to end March to £137.4m, 28 per cent up on last year. Reed shares closed 86p higher at 930p.

The bulk of the profit increase came in paper and packaging, sectors in which Reed has reduced its involvement over the years. Journal and consumer publishing, targeted as a growth sector, showed lower profits.

There was a particularly sharp improvement in the European paper division, where profits went from last year's £2.3m to £14.9m for the year. Mr Kenneth Morton, group finance director, said the improvement was due to the combination of greater energy efficiency and lower raw material costs.

In the past few years Reed has closed a number of its less profitable mills in the UK, and switched from oil-fired plants to coal or natural gas. In addition, 85 per cent of the group's paper-making capacity is now based on waste paper, prices for which have slumped in recent months.

Profits from North American paper almost doubled, from £7.9m to £14.2m. Mr Morton said that a three-year rebuild programme for the four mochines at the Quebec mill, which had increased capacity by 20 per cent to 370,000 tonnes a year, had been completed in May. "It was the first time



we had continuous use of the mill throughout the whole year," he said.

Packaging profits jumped from £18.4m to £27.4m. "Every unit had a good year," Mr Morton said. "We have had a number of redundancies in past years, and these figures include around £2m of provisions." Raw materials, linerboard in particular, were cheaper, and the group's investment in plastic packaging had started to pay off.

The Reed publishing division produced a modest profit increase from £56.4m to £67.2m, and consumer publishing saw profits fall from £10.9m to £7.0m. Mr Morton said "we spent some £10m on consumer magazines, selling 10 relatively insignificant titles and reduce the labour force by 450. But the payoff will be rapid, and we are feeling very comfortable about the division now."

The figures included exceptional losses of £12.7m, made up of £22m losses on rationalisation and the sale of some businesses offset by profits on the sale of the Reuters holding and other businesses of £9m. Extraordinary costs below the line of £15.4m were due to the sale of the building products division, offset by a small profit on the sale of the decorative products business.

There was a one-off gain of £13m from reduced contributions to the group pension fund. Mr Morton stressed that this was not apension holiday, but a lower level of contribution which would be actuarially sustainable at least until the early 1990s.

The tax charge fell from an effective 40 per cent to 31 per cent. Mr Morton said this was due to three factors—the lower rate of standard UK tax, an £8m clawback on ACT due to increased UK profits, and zero tax on doubled profits in Canada due to the $100m investment at the Quebec mill.

Earnings per share were 48 per cent higher at 79.5p. The final dividend was 16p, making a 22 per cent increase for the year at 22.5p.

See Lex

Wight Collins listing suspended

By Alice Rawsthorn

THE SHARES in the advertising agency, Wight Collins Rutherford Scott, were suspended yesterday. The agency has just concluded the acquisition of the London advertising agency, FCO, and is understood to be in the final stages of acquiring the US advertising and public relations group, HBM-Creamer.

Wight Collins has been scouting about for acquisition opportunities in the US for the last year or so. HBM-Creamer, which is the 24th largest advertising agency and 15th largest public relations consultancy in the US, was formed by the merger of Boston-based HBM and the New York agency, Creamer, in 1984.

Last year HBM-Creamer had billings of $318m (£213m) according to the US magazine, Advertising Age. Its largest clients include Nestle, Digital, Sheraton Hotels and Bank of Boston.

The acquisition of HBM-Creamer would represent Wight Collins's first diversification overseas. The deal is thought to be worth around £25m. A spokeswoman for Wight Collins said that the agency "could neither confirm, nor deny" reports of the acquisition yesterday.

Since its flotation in September 1984 Wight Collins has adopted an active acquisition policy. It purchased the public relations consultancy, Biss Lancaster, in February last year, and agreed terms with FCO last month.

The agency has agreed to acquire FCO for a maximum of £6.75m, composed of £1.5m in cash, £1.5m in shares and a profit-related consideration, after completion, FCO will function as an autonomous agency within Wight Collins.

When its preliminar results are announced next month, Wight Collins is expected to produce pre-tax profits of £2.5m in the year to April 30, an increase of 66 per cent on the previous financial year.

HS continues US expansion

Hawker Siddeley, international electrical and mechanical engineering group, has purchased for US$10m (£6.5m) cash Electro Corporation, a privately-owned concern based in Sarasota, Florida.

Electro manufactures a range of motion, presence and position sensing components and equipment for the industrial, automotive, military and aerospace markets.

Hawker says that its continuing strategy of expanding the electrical and mechanical engineering interests in the US brings the turnover of the group's subsidiaries there to more than £250m.

Carl Fischer move blocks £8m offer for Boosey

BY CHARLES BATCHELOR

Carl Fischer, the private US music publisher which is the largest shareholder in Boosey & Hawkes, yesterday increased its stake to 50.1 per cent in a move which blocked last month's £8m bid approach from Music Sales.

Barclays Merchant Bank, acting on behalf of Fischer, bought 20,835 of Boosey's 4.9 per cent £1 preference shares for 127.25p each. Fischer and its Employees' Retirement Income Plan previously held a 49.25 per cent stake.

Barclays said the purchase had been made to support Mr Ronald Asserson, the Boosey chairman, in his efforts to turn the company round. Each preference share carries four votes.

While Fischer's previous holding of just under 50 per cent gave it effective control of Boosey the additional share purchase made any hostile bid impossible, Barclays added.

Music Sales, a privately-owned British sheet music publisher, offered 215p cash for each ordinary share and par for each £1 preference share. Boosey's shares were unchanged at 180p yesterday.

Lisa Wood on Dee's proposed £686m purchase of Fine Fare

Gateway to the first division

Dee Corporation, with its International stores, Gateway Food markets and Carrefour superstores, yesterday was promoted to the first division of UK food retailers with its agreed purchase of the Fine Fare and Shoppers Paradise outlets of Associated British Foods.

Dee described the proposed deal as "a strategic opportunity" while Associated British Foods, one of the UK's biggest millers and bakers with brands including Sunblest, welcomed the opportunity to relinquish its food retailing interests in order to concentrate on food manufacturing.

The Fine Fare group, a middle ranking food retailer with annual sales of some £1.2bn, operates 280 stores under the Fine Fare banner and 139 under the Shoppers Paradise limited-range discount store fascia.

The group has a strong regional presence in Scotland, the North East and the Midlands. The deal should make a snug geographical fit: Dee, with 12 Carrefour and 751 Gateway outlets, with sales of £1.85bn a year, is strongest in Wales and the South of England and has no Scottish presence.

According to Dee, the merged business will command some 11 per cent of the UK packaged grocery business after the disposal of a limited number of stores.

Measurement of the UK packaged grocery business (which excludes the fast growing fresh foods business) by AGB, the research organisation, ranks Sainsbury as having 17.8 per cent of this trade and Tesco 13.2 per cent. Dee's acquisition moves it into third place ahead of the Co-op.

The deal comes hard on the heels of Dee's £276m acquisition of Herman's sporting goods, a leading sports retailing chain.

Dee said yesterday that in "an ideal world" it would have liked to have spaced the two acquisitions over a longer period so that shareholders would not have had to contemplate another major transaction so soon.

The deal does not, however, come as a surprise to the City after some weeks of speculation over the intentions of Mr Alec Monk, chairman of Dee who has emerged as one of the UK's brightest retailing entrepreneurs forged from a similar mould as Mr James Gulliver, chairman of Argyll which owns the Presto supermarkets.

Since joining Dee in 1981 (then called Linfood Holdings) Mr Monk has carved his reputation by the simple expedient of taking over small and medium-sized grocery chains that were unable to compete in the aggressive market place and turning them into well managed businesses.


Mr Alec Monk (right), the chairman of Dee Corporation, and Mr Gary Weston, the chairman of Associated British Foods

There have been disappointments though, such as the abortive bid in 1985 for Booker McConnell, the food distribution, agricultural and health products group.

The deal announced yesterday will give Dee a strong national presence, with all the benefits of economies of scale and the ability to generate a strong cash flow to enable it to invest at the high levels now being recorded by other of the major multiples in their attempts to improve their images and locations.

The City yesterday accepted the rationale behind the deal. Mr John Richards, of Wood Mackenzie said: "This is another twist in the competitive spiral." He said the impact would be greatest on the smaller retailers and the second rate. He added that although the deal put Dee alongside the major players it still had a lot of work to do on both the fabric and the image of its outlets.

Mr Richards compared Dee's strategy favourably with that of Argyll. "Mr Monk is nearly there. Mr Gulliver of Argyll is not he said.

Dee yesterday detailed its strategy with the new outlets being divided between its High Street Gateway Food markets—which are currently incorporating the downmarket International stores—and the out-of-town Carrefour superstores.

Fine Fare outlets of less than 30,000 sq ft will be integrated into the Gateway chain. Those of more than 30,000 sq ft will become part of the fast-expanding Carrefour chain which, taking into account the recently-acquired former Woolco stores, are forecast to grow from the present 12 to some 70.

Dee said: "The integration of these large stores under the Carrefour fascia will give rise to very significant economies of scale, more effective advertising and data processing, improved buying of non-food lines, a lower ratio of overheads to sales and, therefore, better margins, improved distribution costs, greater financial strengths and the ability to command greater access to potential large store sites."

Not, said Dee, that the incremental benefits would arise immediately. Some could take at least three years to fully materialise.

In giving a glimpse of even tougher competition for expensive out-of-town sites, Dee said that its improved balance sheet would provide it with the platform to "compete on more equal terms with the other leading food retailers for sites."

It is all part of the trend towards greater concentration of buying power in the hands of the major retailers. It is ironical and indicative of the growth of Dee that in 1983 the Monopolies and Mergers Commission, investigating the then Linfood Holdings bid for Fitch Lovell, the food group, concluded that "in spite of increased buying power the merger would on balance be beneficial by providing a source of countervaling power over the likes of Sainsbury and Tesco."

Largest ever vendor placing in the City

DEE CORPORATION'S proposed purchase of Fine Fare for around £686m includes the largest ever vendor placing seen in the City of London: 147.5m new Dee ordinary shares placed at 237p to raise £349.6m, writes Lional Barber.

Dee is also issuing to Associated British Foods (ABF), Fine Fare's parent, 135m new ordinary shares which means that ABF will take a 15.4 per cent stake in the new enlarged group.

As a result, Dee will increase its total issued share capital by 32 per cent to 877.6m ordinary shares.

Under the deal, the shares issued to ABF will be fully paid. The shares to be placed will be sold at 237p each, in partly-paid form: 100p per share to be paid on application, with 137p per share due for payment on September 26 1986.

Lazard Brothers is conditionally placing the 147.5m new ordinary shares. The placing has been jointly underwritten by Lazard Brothers and Swiss Bank Corporation, with Rowe & Pitman acting as brokers to the placing.

Existing shareholders will be entitled to apply for 110,603,881 ordinary shares — 75 per cent of the shares conditionally placed at 237p per share, partly paid. Shareholders will be able to apply for any number of shares, though supply will depend on demand.

Applications in a proportion of four new shares for every 17 existing registered shares held on May 30 will be satisfied in full.

Dee is acquiring the outstanding debentures of Fine Fare totalling £349.6m (to be satisfied by the vendor placing). Included in these debentures is a loan of £99.6m which will be represented by a corresponding cash balance in the Fine Fare group when it is bought by Dee.

ABF has undertaken to retain its 15.4 per cent stake in Dee for at least six months. It has also undertakn to sell no more than 30m shares during the following six months. It has agreed nat to sell any of the shares for two years without prior consultation with Dee, Lazard said.

Bardon Hill 9% higher

Bardon Hill Group, the Leicester-based quarrying concern, raised pre-tax profits by 9 per cent from £4.29m to £4.67m for the year ended March 31, 1986.

Turnover was boosted significantly from £33.2m to £77.9m, by £39m achieved from fuel distribution activities, part of the Vectis Stone group acquired in August, 1985.

After-tax earnings per 10p share increased from 7.89p to 8.76p. There is a final dividend of 2.35p making a total of 3.25p, compared with 2.82p.

The company shares are traded on the Over-The-Counter market by Granville & Co.

Mr Peter Tom, the chairman, says he is confident that the company's recent acquisitions will strengthen the company's presence in its traditional areas, while providing it with valuable access to new markets, particularly in the fuel distribution sector.

Bardon Hill now has fuel distribution operations covering South London, Kent, Sussex, the Isle of Wight, the Channel Islands and South Wales.

Around 20 per cent of the company's shares are held by institutions and private investors.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bardon Hill¶	2.35	—	2	3.25	2.82
JS Pathology‡	1.33	July 1	—	1.33	—
Reed Int.	16	Aug 12	12.75	22.5	18.5
Sterling Publishing‡	2	July 28	—	2	—
TR N. America	1.33	—	1.33*	1.83	1.83*
Valin Pollen	int 0.5	Aug 4	0.33*	—	1*
James Burrough§	2nd int 8	July 1	7.5	12	10.5
Fleming American	int 2	Aug 5	2	—	5.75

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Over-the-Counter stock.

J. S. Pathology beats forecast

Compared with a forecast of £1.9m for the year ended March 31 1986, USM-newcomer JS Pathology has turned in taxable protfis of £2.11m against a previous £1.36m, a rise of 55 per cent. Turnover expanded by 30 per cent from £4.25m to £5.52m.

Mrs Jean Shanks, chairman, says the current year has started satisfactorily and, short of unforseen circumstances, is confident of continued growth.

Profits were after interest income of £325,000 (£155,000) and subject to tax of £856,000, compared with £617,000. Earnings per share are given as 10.8p (6.6p) while a final, single, dividend of 1.33p will absorb £159,000 (nil).

JS, an independent clinical pathology laboratory, joined the USM last year with a placing of 1.88m shares at 160p each, which gave a market capitalisation of £19m.

FRAMLINGTON has agreed in principle to manage, with Tenneco Financial Services of the US, a mutual fund to be marketed by Tenneco in the US. The fund will be called Framlington International Fund and will invest for capital growth in equities outside North America. Subject to approval the fund will be launched in October.

INVESTMENT COMPANY has made earnings per 25p share of 3.87p (3.66p) in the year ended March 31 1986 and is raising the dividend to 1.17p (1.05p) with a final of 0.73p. Interim was waived in respect of 7.43m shares, saving £32,000; final has been waived on 7.46m shares saving £54,000. Gross income £920,000 (£869,000).

JFB profit held back by irregularities at offshoot

BY PHILIP COGGAN

Johnson & Firth Brown, Sheffield-based metals and engineering group, has announced first-half pre-tax profits of £1.8m, 28 per cent better than last year's first half.

The company said that its performance would have been substantially better had it not been for a £1.3m los over the last few years at the group's subsidiary, Gills Pressure Castings, which weer due to financial irregularities.

Thanks to a major internal investigation, the company hapes that the restructured Gills will incur a reduced loss of £150,000 in the second hal. First-half losses were around £450,000, including a one-off factory closure costing £150,000.

The board is paying one half of the preference dividend arrears, covering the 18 months period to March 31 1984, which will be paid on July 14 1986. It is intended to pay the balance of arrears after the final results for the current financial year are announced.

At the end of the last financial year, JFB completely restructured the company to write-off its stake in Sheffield Forgemasters. Stakes in both Cannon-Muskegon and Richard Lloyd were sold, the former resulting in an extraordinary credit of £1.59m. As a result, loan stock and bank borrowings are now, at £16.7m, £13.2m less than year-end 1985.

Subsidiaries Firth Brown Casting and N. Greening each moved from a loss into a small profit in the six months. Associate companies Thomas Bolton & Johnson and Prescot Aluminium Company made steady progress and Prescot Trade Rollers again traded satisfactorily.

Mr J. M. Clay, the chairman, commented: "Despite the difficulties at Gills Pressure Castings the results continue to improve and the board is confident that its policy of concentrating on high quality producis will ensure further progress."

● comment

After the rationalisation of the group and the loss of the millstone of Sheffield Forgemasters, Johnson & Firth Brown must have been hoping to present results free from incident. The problems at Gills scuppered those hopes but JFB must now pray that it has had its last nasty surprise for a while. Half year results are in line with analysts' expectations despite Gills and the shares closed unchanged at 89p. The rationalisation imposed by chief executive Roy Shephard is now showing through in improved results, particularly in the aerospace sector, and demand should stay on a steady upward trend. This full year profits should be around £4.5m, the bulk of which will disappear in accumulated preference dividend repayments. Next year profit of £5.5m, assuming a 35 per cent tax charge, puts the shares on a prospective p/e of 13.5 which seems to reflect the group's recovery potential.

Thomson T-Line in bid for Longton

BY DAVID GOODHART

Thomson T-Line, the loss-making timber merchant recently taken over by entrepreneurs Mr Julian Askin and Mr Hugo Bierman, has launched *a one-for-one share offer for* steel stockholder and road haulier Longton Industrial Holdings, valuing the company at about £13.5m.

Thomson immediately increased the pressure on the Longton board by announcing it had already received undertakings, or indications of an intention to accept, from holders of 37 per cent of the Longton share capital.

Among those who have agreed to accept the Thomson offerf are certain members of the Dale and Drake families which founded the Longton company. The offer currently values each Longton share at 212p and Hambros Bank has agreed to provide a cash alternative at 190p per share.

Longton, which is expected to respond to the offer today, made pre-tax profits of £1.15m on turnover of £52m in the year to March 31 1985.

Thomson itself made a loss of £266,419 on turnover of £1.7m in 1985, but in December 1985 *Mr Askin and Mr Bierman took* a 61.5 per cent stake having previously failed to win control of Energ Services and Electronicts. In February 1986 a rights issue raised £2.5m.

The new Thomson management says that its long-term decline has been reversed and the acquisition of Longton would expand its asset base and enable it to diversify into other businesses. Longton has assets of 10.9m.

Thomson, which will double its share capital if the offer is successful, has said that it *intends to sell the two Longton* companies which comprise the steel stockholding and engineering supplies division to a company in which Mr J. Dale, a former director of Longton, is interested.

Thomson closed 7p up at 212p and Longton 5p up at 215p.

Sterling Publishing hits target and orders improve

The Sterling Publishing Group has met the profits forecast it made for the 1985-86 year and says orders to date for the current year are 29 per cent ahead and on a rising trend.

The year to March 31 1986 saw turnover improve from £3.66m to £5.5m and profits by *£438,000 to £939,000 pre-tax.*

The original forecast, made in the prospectus last November, at the time of the company's entry to the USM, was for profits of £900,000 but this was later adjusted to £928,000 after adding back a provision of £28,000 no longer required for amortisation of goodwill.

As promised shareholders are to receive a dividend of 2p net per 5p share. Earnings for the year rose by 1.83p to 4.49p.

Although the group intends to pursue its instiutional publishing activities the launch of the independent titles took it into a new dimension of business publishing in which the directors say there is "no foreseeable limit to the expansion of its activities."

In the current year the group expects major revenue growth from its activities in the field of independent publications. A significant expansion of the range of titles is in progress and campaigns for five new titles have already been launched this year and orders to date indicate that significant contributions will be made to profitability.

Mansfield in £13m sale to J. W. Cameron

Mansfield Brewery is selling 78 pubs and clubs and a further 12 licensed sites to J. W. Cameron, the Hartlepool-based brewery for £13m in cash.

Most of the properties being sold come from the estate of North Country Brewery, the Hull-based brewing division of Northern Foods, which Mansfield acquired in May 1985 for £42m.

Mansfield plans to spend the proceeds of the sale on refurbishing and modernising its remaining outlets. Immediately before the sale to Cameron it owned more than 400 outlets and distributed to more than 1,100, mainly in north Nottinghamshire, South Yorkshire and Humberside.

This deal will expand Cameron's existing operations in Humberside and South Yorkshire. Cameron is a wholly-owned subsidiary of Ellerman Holdings, which also owns Tollemache and Cobbold of Ipswich.

Completion of the sale is expected by the end of June.

Northern Foods buying Beecham Irish offshoot

Beecham Group, the troubled pharmaceuticals and consumer products group, is selling Batchelors, its Irish canned and frozen foods business in Ireland Northern Foods for I£14m (£12.5m).

Mr John Robb, Beecham's chief executive, said: "The frozen fods business in Ireland is the only one of its kind in the group and is regarded as being peripheral to our mainstream activities."

Beecham has been selling some of its non-core businesses following the ousting of Sir Ronald Halstead as chairman a little more than six months ago.

Batchelors in Britain and Ireland was originally owned by Unilever. In 1941 the Irish operation was sold to its management later being bought by BOC in 1969 and by Beecham in 1973 for £2.7m. Batchelors in Britain remains part of Unilever.

Batchelors claims brand leadership in Ireland in canned foods while its Green Isle frozen food brand is the second largest in the country.

Batchelors in Ireland now employs about 500 people and has factories in Banagher, Athy and two in Dublin. It made a pre-tax profit of I£1.7m on sales of I£33.4m in the year ended March 1986.

Beecham has reached agreement in principle on the sale, which is expected to take effect from June 30, subject to the approval of the Minister for Industry and Commerce in Dublin.

Beecham continues to operate a consumer products business in Ireland marketing toiletries, over-the-counter medicines and drinks such as Lucozade, Ribena and Bovril.

Northern Foods has made two major acquisitions during the past 15 months, paying £21m for Bowyers, the meat pie maker, last June and £51m for the north of England milk business of Express Dairies, part of Grand Metropolitan, in March 1985.

Lloyds extends Standard offer

Lloyds Bank yesterday extended its £1.2bn takeover bid for Standard Chartered Bank until 3.00 pm on June 24.

By Tuesday's first deadline for acceptances, Lloyds had received only 0.29 per cent of Standard's shares, it reported yesterday. These did not include the 0.28 per cent of Standard's shares held by Lloyds staff pension funds, which have not yet decided whether to accept the offer.

Lloyds Bank itself does not own any of Standard's shares.

Lloyds shareholders are due to vote on the bid at an extraordinary meeting in London on Friday. Anti-apartheid representatives have threatened to mount a demonstration to protest at the proposed takeover because of Standard's involvement in South Africa.

Ferruzzi sets up in UK

Ferruzzi Group, an Italian agricultural concern which is bidding for London-based S. & W. Berisford, has established a UK holding company to handle its British interests.

Last week Ferruzzi acquired 28m Berisford shares from Hillsdown Holdings and yesterday a spokesman for Ferruzzi said the shares had been purchased through Helpbrook, a newly-created company controlled by a Ferruzzi subsidiary.

In all, Ferruzzi now controls 23.74 per cent of Berisford, the stake being held by Helpbrook.

The spokesman said that if the bid was successful Beghin Say, a French sugar refiner also controlled by Ferruzzi, would acquire a stake in Berisford by acquiring a holding in Helpbrook.

Tate & Lyle and Hillsdown Holdings both put in bids for Berisford but following a reference to the Monopolies Commission the offers lapsed.

Times Veneer offshoot sold

Corporate Development International (Holdings), the investment company run by former journalist Mr David Burne, has sold more than half its 50 per cent stake in furniture company Times Veneer.

It has disposed of 3.79m shares—just under 30 per cent of the capital—to Pebble Investments. At yesterday's share price of 26p that would have raised about £1m for CDI.

CDI, whose main shareholder is Jersey-based Pattern Securities, holds major stakes in a number of small public companies including Kraft Productions and Dura Mill.

It bought its 50 per cent stake in Times Veneer from the controlling Berman family in the middle of last year, and said at the time it was keeping all options open for "investment in other fields and in other countries should attractive opportunities arise."

Interim figures released in October last year showed Times Veneer's pre-tax profit doubled from £54,000 to £111,000, on turnover up from £2.7m to £3.42m.

UK COMPANY NEWS

ISSUE NEWS

Guthrie returns to market with a value of £123m

BY LUCY KELLAWAY

THE FULL DETAILS are published today of a sale of shares in Guthrie, which will value the group at £123m.

Guthrie will be returning to the market after an absence of five years during which time its Malaysian plantations, once the mainstay of the company, have been sold off, leaving it as a diversified industrial holding company.

In 1981 the company was taken over by the Malaysian government investment agency, the Permodalan Nasional Berhad, which installed new management and planned eventually to return the company to the market.

PNB will be using the flotation to sell 18.7m shares in the company, but has agreed to sell no more for at least a year. After the offer, PNB will retain 63 per cent of the shares.

A further 11.3m shares are being sold on behalf of the company to raise £16.1m. This money will be used to repay borrowings, and will leave the group with debt of £12m against assets of about £100m.

The company's profit record over the past five years has been seriously affected by currency movements, as about 60 per cent of profits are denominated in dollars. The fall in the dollar has accounted for a decrease in group turnover last year to £332m (£359m) and has depressed profits, which in 1985 were £14m (£11.3m).

An increase in trading profits in each year since the plantations were sold belies a more uneven performance from each division. The electrical equipment companies have recovered from heavy losses made in 1983, which were due to recession in the US steel industry. Last year aviation profits fell from £6.9m to £3m, partly as a result *of lower demand in the US for* new planes.

At the offer price of 150p the shares are on a p/e of 9.1, based on an actual tax charge of 16 per cent. The company expects to pay a similar rate of tax in the current year. The gross dividend yield is 5 per cent.

See Lex

USM flotation for Accord

BY RICHARD TOMKINS

Accord Publications, a London-based designer of fashionable greetings cards, is wishing itself a happy flotation today as it comes to the unlisted securities market at a value of £8.2m.

Some 1m shares—about 15 per cent of the capital—are being placed by stockbrokers Capel-Cure Myers at 125p a share.

Accord was formed in 1974 when Mr Richard Horton, then sales and marketing manager of greetings card maker Camden Graphics, decided to break away and set up his own enterprise.

It is now one of a group of publishers exploiting a growing demand for innovative, lighthearted, design-orientated greetings cards rather than the traditional verse variety. Some of its most successful cards have featured cartoon hippopotamuses with slogans such as "Mini Hippo Returns."

As well as distributing greetings cards, Accord has been designing and supplying gift wrapping paper since 1981 and has recently introduced a range of paper partyware

Pre-tax profits have grown from £17,000 in 1981 to £351,000 in the year to last December, on sales up from £863,000 to £4.2m. Profits of at least £800,000 are forecast for the current year, putting the shares on a prospective price/earnings multiple of 15.8.

The placing will raise £553,000 for existing shareholders and a similar amount for the company. Accord says it sees scope for increasing its estimated 3 per cent market share by expanding the range of products and enlarging the customer base.

Tenby share offer delayed

A log-jam of equity financing has caused the offer for sale of Tenby Industries to be held up until Monday although bankers Morgan Grenfell formally priced the issue at 112p per share yesterday valuing the group at £19.7m.

The pricing is more conservatively pitched than the market had expected when BSR first announced its plans to dispose of its UK electrical and engineering activities under the Tenby banner.

At 112p Tenby is coming on a historic actual taxed p/e of 9 or 12.2 on a notional 35 per cent tax charge. The dividend yield is 5 per cent.

TV-am heralds flotation with £4.8m

By Alice Rawsthorn

THE BREAKFAST television station, TV-am, has heralded its forthcoming *USM flotation* by announcing a recovery to pre-tax profits of £4.83m in the last financial year from a loss of £2.09m.

TV-am increased its turnover by 88 per cent to £29.27m in the year to January 31. It produced trading profits of £9.37m but paid £4.29m to the Treasury in Exchequer Levy.

In its first 18 months on air TV-am lost more than £14m. The company's recovery began in the spring of 1984 when a new management team, headed by Mr Timothy Aitken as chairman and Mr Bruce Gyncell as managing director, replaced the original "mission to explain" programmin formagt with the "mission to entertain."

TV-am will float on the USM in the first two weeks of July by releasing 11m shares or 34 per cent of its equity. The merchant bank, Kleinwort Benson, will sponsor the issue with Fielding Newsom-Smith as the brokers.

The flotation was catalysed by United Newspapers takeover of Fleet Holdings last year. Fleet held 34 per cent of TV-am, while United has a substantial shareholding in Yorkshire Television. The Independent Broadcasting Authority, which regulates independent television, does not permit dual investment in television stations.

When TV-am first considered going public it envisaged a market capitalisation of around £35m. City attitudes to the television sector have since softened

Depending on the fate of *Thames Television's* flotation later this month, TV-am may aim for a capitalisation of around £45m.

COMPANY NEWS IN BRIEF

GROSS FINE, the London-based estate agents which had been expected to come to the unlisted securities market through a placing this week, has postponed its flotation because of what it described as a technical hitch.

Le Mare Martin, brokers to the issue, said it had not proved possible to tie up the necessary documentation in time but the flotation was expected to go ahead shortly.

TR NATURAL Resources Investment Trust reported net asset value per 25p share at 294.4p (318.4p) as at March 31 1986. Earnings per share rose from 7.87p to 9.33p for the year and a final dividend of 4.75p makes a total of 8.25p (7.5p). Total income was £5.75m (£4.5m) and after-tax revenue £2.81m (£2.38m). A one-for-one scrip issue is proposed.

WATER PLACINGS — the Bristol Waterworks Company is raising £5m and Sunderland & South Sheilds Water Company £3m, both through 1996 debentures which have been priced to yield 9.8 per cent. Both issues have been placed by Seymore Pierce.

HEADLAM SIMS & Coggins, footwear manufacturer, reports turnover of £7.2m (£7.72m) for year ended January 31 1986. Profit £10,000 (loss £109,000 after exceptional debit £115,000). Tax credit £18,000 and extraordinary credit £36,000 (both nil). Dividend 0.5p (1p). Progress made in reducing losses at Carter Pocock. Directors confident that group can begin to return to satisfactory profit level.

ARCHIMEDES Investment Trust net asset value per capital share was 350.84p at April 30 1986, compared with 285.28p six months earlier. Interim dividend is increased to 4.6p (4.4p), last year's final payment being 5.75p. Revenue for half year was £64,408 (£62,938) after tax £31,199 (£26,774), giving earnings of 5.25p (5.14p) per income share.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane, London EC3R 8BP — Telephone: 01-621 1212

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord. ...	131	—	7.3	5.6	8.0	7.5
151	121	Ass. Brit. Ind. CULS...	136	—	10.0	7.4	—	—
115	43	Airsprung Group	115	—	6.4	5.6	19.2	25.0
46	29	Armitage and Rhodes...	29	—	4.3	14.8	3.6	4.3
177	108	Bardon Hill	176	+ 1	4.0	2.3	22.3	23.2
69	42	Bray Technologies	69	+ 1	4.3	6.2	6.2	7.5
201	80	CCL Ordinary	80	—	2.9	3.6	5.7	8.8
152	93	CCL 11pc Conv. Pref....	93	—	15.7	16.9	—	—
156	80	Carborundum Ord. ...	156	+ 2	9.1	5.8	7.5	7.7
94	83	Carborundum 7.5pc Pf.	92	—	10.7	11.6	—	—
65	46	Deborah Services	56	—	7.0	12.5	5.8	7.7
32	20	Frederick Parker Group	23	—	—	—	—	—
112	50	George Blair.............	110	—	—	—	4.5	8.1
68	20	Ind. Precision Castings	58	—	3.0	5.2	15.3	12.8
218	156	Isis Group..............	158	+ 2	15.0	9.5	12.2	18.2
122	101	Jackson Group	120	+ 1	6.1	5.1	6.2	7.3
345	228	James Burrough	324	—	15.0	4.6	10.2	10.2
99	86	James Burrough 9pcPf.	99	—	12.9	13.0	—	—
95	56	John Howard Group ...	57xd	—	5.0	8.8	—	—
1,385	570	Minihouse Holding NV	1,350xd	—	8.7	0.6	44.6	52.9
380	260	Record Ridgway Ord.	380	—	—	—	6.8	11.7
100	95	Record Ridgway 10pcPf	95	—	14.1	14.8	—	—
82	32	Robert Jenkins	70	—	—	—	9.1	20.0
34	28	Scruttons "A"	30	—	—	—	—	7.7
87	66	Torday and Carlisle ...	72	+ 1	5.7	7.9	4.3	4.4
370	320	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
57	25	Unilock Holdings	55	—	2.1	3.8	14.8	14.6
175	93	Walter Alexander	168	—	8.6	5.1	9.8	11.6
226	190	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

UK COMPANY NEWS

Valin Pollen shares leap on 76% profit increase

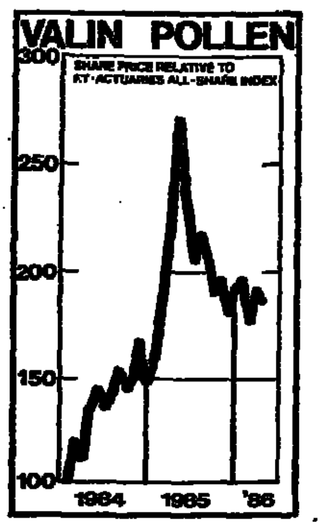
Valin Pollen International, the corporate public relations group, saw its shares move ahead sharply yesterday on the announcement of a 76 per cent increase in interim taxable profits to £878,000. The result compares with £500,000 last time, and sent the company's shares up 30p to 205p, before slipping back to close at 195p.

Turnover rose from a restated £8.16m to £12.09m, and produced operating income of £5.02m, up from £2.59m. Mr Reg Valin, the chairman, says that since the start of the year, the company has acquired major new clients.

It has handled the Laura Ashley and Wellcome flotations as well as the launch of a major advertising campaign for the Stock Exchange. The industrial relations division has been particularly active in defending new clients against unwelcome takeover bids.

McAvoy Wreford Bayley has also enjoyed a steady influx of business from existing and new clients. Vallin Pollen Thomas and Kleyn in the Hague has doubled in size and staff, and has made a valuable contribution to group profits.

Mr Valin said that therei s clear evidence of a growing range of capabilities." This demand for the "comprehensive partially stems from the changes leading up to "big bang," but also as a result of the increasing internationalisation of business communications.



These factors make him particularly optimistic about the prospects for the group and are influencing planning both in developing new marketing and communications services, and evaluating future acquisition prospects. The chairman is confident that the company will be able to report "outstanding results" at the year end.

The interim dividend is raised from an adjusted 0.33p to 0.5p, with earnings per share ahead at 3.8p (adjusted 2.2p).

The profit figure is reached after amortisation of goodwill of £52,000 (£7,000). Tax takes £384,000 (£218,000), minority interests debits £8,000 (£6,000) and there is an extraordinary charge of £60,000 (nil).

● comment

Valin Pollen's shares have tumbled steadily in the past year or so, but staged something of a resurgence yesterday rising by 20p to 195p when these results sailed in ahead of expectations. The growth figures for profit and income are impressive enough, but costs are rising sharply and show little sign of slowing down. Like every other City advertising and public relations group, Valin Pollen has profited from the recent rush of bids and new issues, but competition is intensifying as West End agencies like Saatchi & Saatchi and Lowe Howard-Spink Bell muscle into the City. Valin Pollen is nothing if not flexible, however, and is turning its attention towards specialist spheres such as investor relations. New business is still rolling in and the City expects profits of £2m and a p/e of 21 for the full year. Just as Valin Pollen has benefited from the bull market, it could suffer if the market turns bearish. Although after the demise of the proposed merger with Good Relations, the management has been scouting about for acquisition opportunities in the US to broaden its income base.

Beefeater keeps up growth but cautious

GROWTH AT the James Burrough group of spirit distillers (Beefeater Gin, Borzoi Vodka) has been maintained in the year ended February 28, 1986, but the directors are approaching the current year more cautiously.

Mr Norman Burrough, chairman, says there has been an excellent start to the year. But the anti-alcohol lobby is as strong as ever, particularly in the US. Thegroup is unlikely to benefit from exchange rates, and tourism is likely to be much reduced.

However, the year should be satisfactory, he adds.

In 1985-86 the group produced a record turnover up 7.2 per cent. from £57.4m to £61.54m, and pre-tax profit of £8.87m, a 6.6 per cent rise on the previous £8.33m. The company's shares are traded on the Over-the-Counter-Market made by Granville.

While sales of spirits generallv to North America have been declining, with Beefeater Gin no exception, the group continues to benefit from the overall strength of the dollar, and has achieved good growth in markets elsewhere.

In the home market, sales volume has continued to increase with wider distribution

The investment in Pioneer Computer Group, completed last November, is still at an early stage but is on course.

The year's dividend is lifted by 14.3 per cent to 12p net (10.5p). The second interim is 8p.

After tax and minorities, net profit for the year came to £5.28m (£4.6m) for earnings of 35.6p (31.7p). There is a £246,000 extraordinary profit from the sale of James Burrough Leasing.

Meadow Farm £4m purchase

Meadow Farm Produce has reached provisional agreement to acquire North Devon Meat, a farmers co-operative based in Torrington, for a total of nearly £4m.

For the year ended March 30 1985, North Devon Meats achieved pre-tax profits of £827,000 on sales of £58.9m. In the year to March 29 1986, sales are likely to be broadly the same but pre-tax losses of £500,000 are expected. It has assets of £3.5m.

Meadow Farm will make an initial cash payment of £2.5m out of its existing cash resources with further payments of £407,000 in December 1987, £359,000 in December 1988 and £684,000 in December 1989.

BOARD MEETINGS

TODAY

Interims: Beatrix Mines, Grootvlei Proprietary Mines, Heavtree Brewery, Marievale Consolidated Mines, McLeod Russel, St Helena Gold Mines, Stilfontein Gold Minnig, West Rand Consoldated Mines.

Finals: Altifund, Buffelsfontein Gold Mining, Capital Gearing Trust, Henderson Administration, Highland Participants, Hill Samuel, Holden Hydroman, L.C.P. Northern Securities Trust, Oldacre, Piccadilly Radio, Rolfe and Nolan Computer Services, Stewart Enterprise Investment, Storehouse, Strata Investments.

FUTURE DATES

Interims:

Camford Engineering	June 11
Electronic Rentals	July 7
French (Thomas)	June 12
LPA Industries	June 24
London Scottish Finance	June 16
North British Steel	June 12

APPOINTMENTS

Management changes at Greenall Whitley

GREENALL WHITLEY has made the following management changes: **Mr D. W. G. Bell** will be concentrating on his role as chairman of De Vere Hotels and Treadway Inns (US), from April 1, 1987. Within Greenalls Brewery, Mr Bell's responsibilities for the retail division will be assumed by **Mr P. G. Greenall** and his tenanted division responsibilities by **Mr D. H. Griffith**, from October 1. **Mr P. L. Clarke** will be taking over from **Mr P. E. Ashworth** as chairman of Cambrian Soft Drinks. Mr Ashworth is taking up additional responsibilities on behalf of the brewing industry. In addition, Mr Clarke will assume responsibility for a new group take-home sales company, including beer, wines and spirits and soft drinks, also from October 1. **Mr P. H. Standing** is being appointed director of marketing services for all group companies.

*

Mr R. Y. Parry has been appointed chairman of MAYWICK (HANNINGFIELD) in addition to his existing responsibilities as managing director, following the resignation of **Mr A. W. Gillett** due to ill health. Mr Parry has been managing director under Mr Gillett's chairmanship since 1971.

*

Ms Nicola Brookes has been appointed group finance director of AMARI. Ms Brookes takes over as group finance director from **Ms Brenda Langley**, who has held the post since 1981. Ms Langley will remain an executive director on the board of Amari and an active member of the group finance team. Ms Brookes has been corporate development director of Amari for the past two years. She handled the management buy-out of Amari from BP in 1983, and also the company's full listing on the London Stock Exchange the following year.

*

Mr Richard J. Vardy has been appointed honorary secretary of the LONDON DISCOUNT MARKET ASSOCIATION.

*

Mr Manfred Stratemeier has been appointed marketing director of British Electricity International (BEI), overseas consultancy company of the British electricity supply industry. The post is a new one at BEI.

*

Mr David V. Brain has been appointed to the board of BANRO INDUSTRIES as a non-executive director.

*

Mr Paul Myners, chief executive of Gartmore Investment Management, has been elected chairman of GARTMORE FUND MANAGERS, a unit trust subsidiary. Five other board appointments are: **Mr Graham Joblin, Mr Peter Reeve, Mr Timothy Jackson, Mr William de Lucy** and **Mr Lewis McNaught.**

*

Mr Allan Gasson has been appointed chief executive of UNITED TRANSPORT LINE, the shipping line for United Transport's container activities. This is a new position, created to strengthen the company's expanded business in short-sea services.

Chief executive for BTA

After 40 years with the BRITISH TOURIST AUTHORITY and its forerunner organisations, **Mr Len Lickorish** will be retiring as director general in August. He is succeeded by **Mr Michael Geoffrey Medlicott** who has spent his working career with the P & O Group, where he was marketing director with responsibilities for cruise ship and package tour operations. Mr Medlicott will be joining BTA on August 1 and will take over from Mr Lickorish on September 1. His title will be changed from director general to chief executive.

*

Mr R. G. Bennett, underwriter of Marine Syndicate 201/202, has been appointed a director of LAMBERT BROTHERS (UNDERWRITING AGENCIES).

*

Mr John Poore, a partner in Poores of Acton, West London, has been installed as national president of the BRITISH HARDWARE FEDERATION.

Board posts at Lazard Brothers

LAZARD BROTHERS & CO, has appointed **Mr John Nelson** as manging director from July 1. He will be assuming overall responsibility for the corporate finance division. Mr Nelson is a director of Kleinwort Benson. **Mr Edward W. Dawnay** has been promoted to executive director with Lazard Brothers. He has been with the company for 12 years and has worked in corporate finance since 1979. His most recent work has involved responsibility for the privatisation of British Shipbuilders warshipbuilding yards.

*

Mr J. A. Wiseheart (general manager, Commonwealth Bank of Australia) has been elected chairman of the BRITISH OVERSEAS AND COMMONWEALTH BANKS' ASSOCIATION in succession to **Mr P. W. Weller** (general manager, Standard Chartered Bank), who was elected deputy chairman.

*

Mr Anthony Rippon has joined WHITECROFT as company secretary in succession to **Mr Richard Hope** who has left the company.

*

P.E.G. MANAGEMENT CONSULTANTS, a division of Philips Ell & Gross, has appointed **Mr Jeffrey S. Collier** as an additional director.

*

FENCHURCH INSURANCE BROKERS has appointed **Mr Brian Baker** as an executive director of Fenchurch London.

*

United Technologies Corporation has nominated **Mr Wesley A. Kuhrt** as a new member of the board of WESTLAND. He is a senior consultant to United Technologies Corporation. He retired in 1982 after serving as president of Sikorsky and as vice president, technology, of United Technologies Corporation.

*

WHITBREAD & CO has appointed **Mr Michael Angus** as a non-executive director. He is chairman of Unilever.

*

Mr Roy Norton has been appointed deputy managing director of TAYLOR NELSON MEDICAL, a division of the Taylor Nelson Group. He was a director of the division.

*

IBM systems house, SKYNET, has appointed **Mr Glynn Davies** as deputy managing director. He joins from RSB Systems, an IBM software house, where he was an associate director.

*

Mr Dom Gregson, formerly Viking Polypropylene's sales director, has been appointed to the new post of chief executive of ROBERMAP (UK), its plastic book and hanger unit.

*

Dr R. B. Stalbow has retired from the board of G.R. (HOLDINGS). **Mr G. K. C. Johnston**, company secretary, joins the board.

Japanese trade at Laing and Cruickshank

LAING & CRUICKSHANK, part of Alexanders Laing & Cruickshank Holdings international securities division of Mercantile House, opens its new Japanese department today. **Mr Robert Golding** becomes director of Far East trading and **Mr Graeme Hammond** becomes head of Japanese sales. Both are also appointed directors of Laing & Cruickshank Institutional Equities. **Mr Alex Farley** and **Mr John Healy** also join Laing & Cruickshank as warrant traders. All four have come from County Bank.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1985							
1st qtr.	106.5	103.2	104.4	113.4	133.9	[illegible]	152.6
2nd qtr.	108.5	104.0	109	115.0	141.4	[illegible]	161.7
3rd qtr.	108.5	103.8	101	116.3	145.2	[illegible]	164.4
4th qtr.	108.4	103.6	105	116.0	177.7	[illegible]	165.2
September	109.4	103.8	107	115.6	143.7	[illegible]	167.3
October	108.2	102.9	98	115.0	149.8	[illegible]	172.5
November	109.7	103.7	105	117.4	164.8	[illegible]	170.6
December	107.4	104.1	111	117.3	210.4	[illegible]	182.1
1986							
1st qtr.	108.9	102.3		118.0	145.4	[illegible]	164.8
January	108.1	102.2	95	117.0	145.6	[illegible]	158.7
February	109.4	102.4	103	117.2	140.9	[illegible]	165.0
March	109.3	102.3		119.8	148.6	[illegible]	168.2
April				119.0		[illegible]	180.6

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
1st qtr.	103.1	102.5	109.9	103.8	110.1	99.6	[illegible]
2nd qtr.	103.3	104.4	113.0	104.9	116.0	100.4	[illegible]
3rd qtr.	104.8	101.9	113.3	103.3	115.0	103.3	[illegible]
4th qtr.	104.6	102.5	113.2	103.0	110.6	103.8	[illegible]
September	105.2	102.1	115.9	104.0	114.0	103.0	[illegible]
October	103.5	101.6	113.5	102.0	111.0	102.0	[illegible]
November	105.1	102.0	115.7	103.0	112.0	106.0	[illegible]
December	105.2	104.0	110.3	105.0	109.9	103.0	[illegible]
1986							
1st qtr.	103.1	100.6	115.6	101.6	106.8	101.3	[illegible]
January	102.1	100.6	114.3	101.0	106.0	101.0	[illegible]
February	103.4	100.5	116.4	101.0	105.0	102.0	[illegible]
March	103.8	100.6	116.0	102.0	110.0	101.0	[illegible]

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1985							
1st qtr.	118.6	126.6	−1,286	−374	+1,958	96.1	13.52
2nd qtr.	120.5	124.8	−124	+1,333	+2,411	97.8	14.32
3rd qtr.	116.3	124.1	−453	+1,672	+1,900	100.2	14.18
4th qtr.	118.9	127.4	−225	+921	+1,893	101.6	15.54
October	118.8	125.0	+ 7	+334	+754	101.0	16.21
November	118.5	129.6	−214	+112	+649	102.1	15.98
December	119.4	127.8	− 18	+475	+491	101.7	15.54
1986							
1st qtr.	117.4	126.1	−1,400	+800	+1,984	101.0	15.48
January	118.7	120.3	+155	+1,155	+987	101.7	15.60
February	120.7	125.8	−344	+256	+678	100.7	15.88
March	112.7	132.2	−1,211	−611	+339	100.7	18.25
April	122.2	121.9	−191	+409	+337	101.7	18.38
May							19.29

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending £m	Base rate %
1985							
1st qtr.	2.2	8.7	9.1	15.2	1,511	3,109	[illegible]
2nd qtr.	5.1	32.4	20.4	19.2	1,523	3,082	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,374	11.50
4th qtr.	1.4	25.1	17.8	17.7	2,209	3,431	11.50
October	1.5	24.9	19.8	18.7	796	1,144	11.50
November	3.0	21.5	20.4	17.6	638	1,095	11.50
December	2.7	29.1	14.2	17.0	865	1,192	11.50
1986							
1st qtr.	6.5	9.8	10.7	12.2	2,229	7,267	11.50
January	9.8	14.6	11.1	11.4	770	2,739	12.50
February	4.6	5.3	6.8	9.1	793	2,318	12.50
March	5.1	8.2	14.3	16.4	657	2,210	11.50
April	0.4	21.5	29.0	26.8	756		11.50
May							[illegible]

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* cmdty.	Strlg.
1985							
2nd qtr.	170.3	132.8	139.4	375.2	339.4	278.13	[illegible]
3rd qtr.	174.4	133.1	140.2	376.3	335.5	251.12	[illegible]
4th qtr.	176.9	132.6	141.4	378.1	337.4	n/a	[illegible]
September	176.1	132.7	140.5	376.5	335.8	251.12	[illegible]
October	173.9	134.7	141.9	377.1	335.5	249.46	[illegible]
November	176.8	132.1	141.5	378.4	337.4	n/a	[illegible]
December	180.0	134.7	141.9	378.9	339.4	n/a	[illegible]
1986							
1st qtr.	179.1	133.0	142.4	380.8	343.3	n/a	[illegible]
January	176.9	135.2	142.7	379.7	341.1	n/a	[illegible]
February	177.9	133.9	143.3	381.1	343.6	n/a	[illegible]
March	182.5	129.8	144.2	381.6	345.2	n/a	[illegible]
April		128.1	145.4	383.3	347.4		[illegible]

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

BUSINESS LAW

Judges and board decisions in takeover battles

By A. H. HERMANN, Legal Correspondent

SHOULD JUDGES try to second-guess the decisions of managements? It seems to be a generally accepted principle of common law, both in the UK and overseas, that they should not. The reason for this is that if judges try to predict the future effect of decisions, they are in no better, and possibly in a worse, position than the managers who, through long experience, can make a better educated guess and benefit from accumulated intuitive knowledge.

As to decisions which have already proved to be wrong or unlucky, it would not be fair to criticise the managers with benefit of hindsight so long as their intentions were beyond reproach.

This principle of judicial non-interference in business decisions, usually termed the "business judgment rule," served well for a long time but its foundations have been undermined because the interests of managements and those of shareholders in large companies no longer necessarily coincide. Now one must consider the often conflicting interests of shareholders, employees and creditors.

In the US the future of the "business judgment rule" has been recently called into question by a series of decisions taken by the courts of Delaware, that Mecca of company lawyers, where managements have traditionally felt free to do almost anything they liked. However, leveraged takeover bids, management buyouts and poison pills have obliged the courts to redefine the "business judgment rule" in a way which has alarmed the company Bar. Justifiably, its members fear that Delaware may cease to be multinationals' favourite place of registration.

The problems faced by the Delaware courts are essentially the same as have or may be faced by English courts as similar takeover defences come for scrutiny before them. The same problems may soon appear in France.

After a long absence, hostile takeover bids have arrived this year on the French scene. New rules* facilitate takeover bids by laying down time limits within which the executive board of the stockbrokers' association must give its approval and the COB (stock exchange commission) certify the information which must be published by the bidder and the target company. French authorities seem to have a much more active part to play than is usual in London.

This development adds to the topicality of the Blackstone lecture recently delivered at Pembroke College, Oxford by Professor Alphonse Tunc, the eminent French commercial lawyer from the Sorbonne. Prof Tunc compared the strict attitude of French law, which makes managements liable for their errors, with the relaxed attitude of common law courts.

He invited his audience to consider whether the time had not come for the two systems of law to move closer together, by a relaxation of the French attitude and by paying greater attention to the substance of the business decision, as opposed to the process by which it was reached, in common law courts.

Prof Tunc said that in no case so far had a French court declined to judge a business decision made by the directors of a company. French company law expressly provided that the directors were liable to the company and to others for any breach of the rules or for any fault in their management. Judge-made law extended this liability to mistakes and errors even if not committed directly by members of the board. Every fault which caused damage led to the liability of the management.

The French Companies Act encourages and facilitates shareholders' suits against members of the board. In the case of liquidation, when the assets are not sufficient to meet debts, the court may order the directors and executive officers to pay up to the extent the deficit was due to their own fault. In only one respect does French law treat management more leniently than English law: defying legislation, the courts do not inquire into the fairness of dismissals of employees. They accept any significant reasons stated by the employer.

By contrast, English courts, which do inquire into the fairness of dismissals, tend to leave other managerial decisions well alone, and certainly do not make directors liable for mere errors of judgment. According to Lord Wilberforce,† when the actions of directors are challenged, the court should first consider the nature of the power which they exercised and whether they did so for a proper purpose; and respect their judgment as to matters of management if it finds that they acted in good faith.

The reason why the French cannot, and the English can, operate such a "business judgment rule" is perhaps that its application can never be guided by formal logic, but only by a dialectical or pragmatic line of thought. If it is alleged that the directors paid 10 or 15 per cent more for their headquarters office than was necessary, the judge will accept that they had good reasons or made an innocent mistake. If, however, there is evidence that they overpaid by 50 per cent or more, their good faith will be questioned.

US law does not differ in principle from the English treatment of business judgment, but elaborates it in greater detail. According to the Principles of Corporate Governance at present being considered by the American Law Institute, the duty of a director or officer to perform his functions in good faith, and in what he believes to be the best interest of the corporation, is further qualified: he should perform his functions with the care that can be expected from an ordinarily prudent person; he is obliged to make such inquiries as he reasonably believes to be appropriate. The Principles further define when a business judgment is made in good faith: when the director is not personally interested, is properly informed, and rationally believes that his decision is in the best interest of the corporation.

In a 1981 decision‡, the Supreme Court of Delaware said that when the interest of the board clashed with that of a shareholder who required it to bring an action, the board's refusal to do so was covered by the "business judgment rule" if it was based on the advice of an independent and informed committee.

However, this may merely shift the court's attention to whether the committee was really independent and whether its advice was given in good faith. Though it must have been obvious that the court can reverse the directors' business judgment by finding that they were not properly advised, it caused great consternation when Supreme Court of Delaware actually did so in Smith v van Gorkham.

Mr van Gorkham, faced with the financial difficulties of a company of which he was chief executive, arranged a leveraged buy-out in which the price offered for the shares was substantially higher than the average share price in the preceding five years. The offer was accepted by the board and subsequently by shareholders representing 70 per cent of the equity. A 7 per cent minority opposed the deal, asking for $100m in damages. The Court of Chancery rejected the complaint on the grounds that the acceptance of the offer fell within the protection of the "business judgment rule." The Delaware Supreme Court, however, reversed this decision; it concluded that the board's decision had been hasty and not sufficiently informed.

In the case of Continental Illinois, where the senior management team was sued for managing the bank imprudently as well as failing to disclose its problems promptly and violating security laws, nine executives, including the former chief executive, denied liability but agreed to pay $28m to shareholders, who also received $25m from the bank. It seems that the protection of the "business judgment rule" is not what it used to be in the US.

In the UK, trying to frustrate a hostile takeover bid by Argyll, the Distillers board, supported by some institutional shareholders, agreed to reimburse Guinness for the £40m cost of launching a friendly takeover. The Takeover Panel rejected Argyll's complaint, though the move had been criticised by a number of leading City institutions.

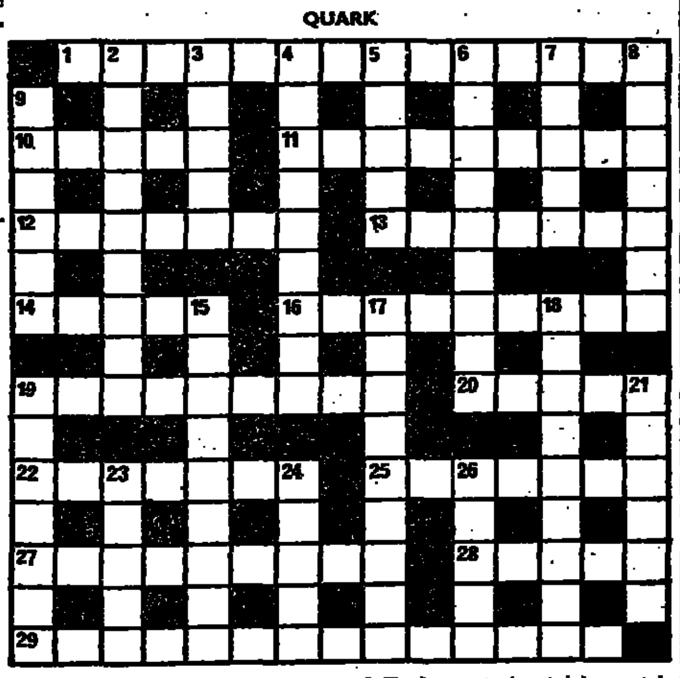
Argyll brought an action in the High Court under s.151 of the Companies Act 1985—which prohibits financing the purchase of own shares — but decided against suing the directors individually. After the bid was referred to the Monopolies and Mergers Commission, the court action was not pursued, but the Stock Exchange passed a rule that, in future, such "poison pills" would have to be approved by shareholders if they exceeded 25 per cent of the past three years' profits in value or if their value was unlimited.

Thus, even in the UK it is now recognised that the freedom to exercise business judgment in normal circumstances cannot be left uncurtailed in takeover battles. If not the courts, the authorities feel obliged to put up at least token limits to management's identification of its interests with that of the shareholders, Prof Tunc's invitation to close the gap between the French and the common law approach may be brought about by necessity, the supreme taskmaster of lawmakers.

* *Decision of the Stockbrokers' Association, March 1986, Official Journal March 13 1986, p3,848. Commission des Operations des Bourse Regulation No 86-01 of March 13 1986, Official Journal March 16 1986, p4,285.*
† *Howard Smith Ltd v Ampol Petroleum Ltd, Privy Council [1974] AC 821.*
‡ *Zapata Corp v Maldonado.*

FT CROSSWORD PUZZLE No 6,039

QUARK



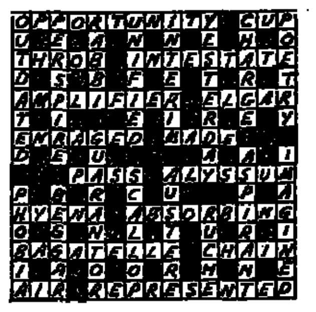
ACROSS

1 Such as are awake during lessons? (5-9)
10 Birds in another nest (5)
11 Popular holiday period. Getting towards the North in tight jam? (9)
12 Drunk goes round the room. Could be pickled (7)
13 Greek character to appoint to the academy (7)
14 Flesh out sort of life in supermarket? (5)
16 Toper, drunk, hits the hay—a bewildering performance (4, 5)
19 Once over (2, 3, 4)
20 The dancing party's discovery—no light! (5)
22 Bombards groups returning round Air Force (7)
25 Greek agency of vengeance (7)
27 First class Latiner could be—among other things (5, 4)
28 Boat to sketch in Scotland (5)
29 Activity undertaken before someone gets cross (14)

DOWN

2 Obtain a City man having good grounds for sale (4, 5)
3 One lass changing and making up 16's necessity? (5)
4 Everyone has to serve here (9)
5 Steadfastness never changes (5)
6 Took part in trick match (Ed.) (9)
7 Looked for, lost head, used to indicate duty (5)
8 It's about defender. Take no action (3, 4)
9 A Count (official) (6)
15 It's this when you jump and don't dive (4, 5)
17 Goddess after "Top Ten" troubled Prince (9)
18 The meeting's taking place during school year (2, 7)
19 Instruct in something superior to the Church (7)
21 Make no bones about it? On the contrary! (6)
23 Give up work and lose right, then get knotted again (5)
24 Oval's ground for round of applause! (5)
26 Some promise rebuffed. Pennypincher! (5)

Solution to Puzzle No. 6,038



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Sentinel Funds Mngmnt Ltd
30 City Road, London EC1Y 2AY 01-638 6011
Dealing: 01-628 6626

American Mngmt.	71.3	76.3		1.12
Amer Tech & Genl Fd	105.3	112.7		0.55
European Growth	30.4	32.5	+0.4	0.07
European Income	35.5	38.0	+0.4	4.00
Energy	535.4	572.9		2.03
Intnl Growth Fd	28.3	30.3	+0.5	0.13
International Income	59.4	59.3		4.96
Jap Tech & Genl	95.3	101.8	+1.0	0.01
Pacific Fund	160.4	171.6	+0.7	0.01
Secure Income Fd	173.8	185.9	+0.8	4.94
Small Co's Fd	37.8	40.4	+0.4	1.45
Special Sits	213.3	228.2		2.18
UK General Fund	33.4	35.7	-0.3	2.32

Standard Life Trust Mgmt. Ltd
3 George St, Edinburgh EH2 2XZ 0800 393777

Managed Trust Acc	24.0	25.7	-0.2	3.00
UK Equity Gth Tst Acc	24.2	26.0		2.00
UK Equity High Inc Inc	24.0	25.7	-0.1	5.00
UK Equity Gen Tst Acc	27.5	29.5	-0.1	3.06
UK Equity Gen Tst Inc	24.9	26.7	-0.1	3.06
Gilt & Fxd Int Tst Inc	23.6	25.1	+0.1	8.00
Nrth Amer Tst Acc	24.7	26.5	-0.3	2.00
Far East Trust Acc	23.8	25.5		0.75
European Trust Acc	23.3	25.0	-0.1	1.25

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	232.6	247.7	-0.7	2.36
(Accum Units)	261.2	278.2	-0.8	2.36
(Withdrawal Units)	163.3	173.9	-0.5	2.36
Australian Fund	115.7	123.2	+0.1	1.09
(Accum. Units)	117.7	125.3	+0.1	1.09
British Fund	586.9	625.1	+0.6	4.44
(Accum. Units)	790.6	842.0	+0.8	4.44
European Fund	263.1	280.2	+1.4	1.01
(Accum. Units)	277.0	295.1	+1.5	1.01
Japan Fund	289.3	308.1	-0.5	0.23
(Accum Units)	290.7	309.6	-0.6	0.23
Saints PPP	156.2	166.6		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst	386.7	411.3	-1.0	2.75
North America	60.7	64.5		1.00
Far East	70.8	75.3	+0.1	0.25
Worldwide Bond	47.0	50.0		7.5

Sun Life Trust Mgmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc	33.7	35.8		1.4
American Income Acc	32.0	34.1		5.5

Abbey Life—Continued
Pension Funds

Property	350.8	369.3	+0.9	—
Equity	756.7	796.6	-1.8	—
Selective	248.5	261.6	-0.1	—
Managed	614.4	646.8	+1.9	—
Security	330.3	347.7	+0.7	—
Fixed Int.	204.5	215.3	+0.4	—
European	171.0	180.1	+2.3	—
American	226.1	238.0	+1.2	—
Japan	231.4	243.6	+2.5	—

Aetna Life Insurance Co Ltd
401 St John St, London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

Squirrel	10.48	11.04		—
Bear	11.23	11.83	+0.04	—
Owl	11.61	12.23	-0.07	—
Bull	12.79	13.47		—
Stag	12.39	13.05	+0.06	—
Gilt-Edged		11.24	+0.09	—
Deposit		9.65		—

Pension Funds (Accumulator Units)

Squirrel	11.09	11.68		—
Bear	12.07	12.71	+0.04	—
Owl	12.52	13.18	-0.08	—
Bull	14.26	15.02		—
Stag	13.78	14.51	+0.07	—
Gilt-Edged		11.30	+0.03	—
Deposit		9.75		—

Exempt Approved

Mixed Managed	129.64	132.29	-1.01	—

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar 0707 42311

Equity Fd Acc. (z)	710.8	748.2	+0.7	—
European Fd Accum(z)	188.5	198.3	-0.6	—
Fixed Int Acc (z)	305.7	321.7	-0.6	—
Gtd. Money Fd Ac.(z)	197.1	207.5		—
Intl Man Fd. Acm.(z)	298.6	314.3	-2.0	—
Intl Fxd Int Fd Acc(z)	174.9	184.1	-0.3	—
Japan Fund(z)	226.3	238.1	+0.3	—
Nth American Fd Acc(z)	171.4	180.4	-1.2	—
Prop Fd Acc (z)	199.1	209.6		—
Multiple Inv. Acc (z)	500.7	527.0	-0.7	—

Pension Funds

Eq Pen Fd Acc(z)	1280.6	1348.0	+1.8	—
Euro Fd Acc(z)	238.1	250.6	-1.0	—
Fixed Int Acc (z)	571.3	601.3	-1.8	—
Gt Money Pn Acc(z)	319.1	335.8	+0.1	—
Intl Man Fd(z)	419.9	442.0	-4.1	—
Jap Pen Fd Acc(z)	301.0	316.9	+0.6	—

Clerical Medical/Fidelity—Cont.
Executive Investment Pension Plan
Prices on May 28. Unit dealings on Wednesday

Cash Fd.	235.1	242.3		—
Mixed Fd.	190.7	200.8		—
Fixed Int. Fd.	156.1	164.4		—
UK Equity Fd.	221.4	233.1		—
Property Fd.	128.5	135.3		—
Overseas Fd.	182.5	192.3		—
Index Linked Fd.	114.3	120.4		—
Stock Ex. Fd.	154.4	162.6		—
North Am Fd.	117.8	124.1		—
Far East Fd.	126.0	132.7		—
Special Sits Fd.	152.1	160.2		—
Europ. Fd.	145.1	152.8		—

Initial prices available on request
For other prices telephone 0272 290566

Clerical Medical Managed Funds Ltd
25 St James's Sq, London SW1Y 4LQ 01-930 5474

Cash	167.3	167.3		—
Mixed	278.0	285.0		—
Fixed Interest	247.6	251.3		—
UK Equity	325.0	334.7		—
Property	147.2	153.8		—
Overseas	279.9	293.9		—
Index Linked	130.0	131.9		—
Stock Exchange	159.6	163.6		—

Prices on May 28. Unit dealings on Weds

Colonial Mutual Group
24 Ludgate Hill, London EC4P 4BD 01-248 9861
CML (Unit Assurances)

Key		154.33		—
Pacemaker		179.17		—
Cash	119.03	125.29	+0.26	—
Equity	223.85	235.63	+2.35	—

Friends' Provident Life Office
Pixham End, Dorking (0306) 885055
Life Funds

Cash Accum	115.5	121.6		—
UK Eq Acc.	174.3	183.5	-0.9	—
Stewardship Acc.	157.4	165.9	+0.2	—
Fixed Int Acc.	131.3	138.3	+0.4	—
Index Linked Acc.	104.7	110.3	+0.2	—
Mixed Acc.	151.1	159.1	-0.1	—
Overseas Eq. Fund	154.4	162.6	+0.2	—
Property Acc.	132.0	139.0		—

'Individual Pension Funds'

Cash Cap	115.7	121.8		—
Cash Acc	129.1	135.9		—
UK Eq Cap	164.5	173.2	-1.0	—
UK Eq Acc	183.0	192.7	-1.1	—
Stewardship Cap	163.8	172.5	+0.3	—
Stewardship Acc.	175.3	184.6	+0.4	—
Fixed Int. Cap	131.7	138.7	+0.7	—
Fixed Int. Acc.	146.6	154.4	+0.8	—
Index Linked Cap	96.2	101.3	+0.2	—
Index Linked Acc	107.1	112.8	+0.2	—
Mixed Cap	145.5	153.2	-0.3	—
Mixed Acc	161.9	170.5	-0.3	—
Overseas Fund Cap	165.1	173.8	+0.1	—
Overseas Acc	183.8	193.5	+0.1	—
Property Cap	102.2	107.6		—
Property Acc	113.9	119.9		—

Managed Pension Fund prices on request

GT Management Ltd
8th Floor, 8 Devonshire Sq, EC2 01-283 2575

GT Plan Bond Fund	171.5	180.6	-1.8	—
GT Pln High Yld Fnd	184.6	194.4	-1.1	—
GT Plan Far East Fnd	169.5	178.5	+1.2	—
GT Plan N Am Fund	160.9	169.4	-1.8	—
GT Pln UK&G.E. Fnd	241.9	254.7	+0.9	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Widows' Group
PO Box 902, Edinburgh EH16 5BU 031-655 6000

Inv Pol 1 May 30	453.7	453.7		—
Inv Pol 2 May 30	419.6	441.7		—
Inv Pol 3 May 30	411.0	432.7		—
Inv Pol Cash May 30	176.4	185.7		—
Mixed Fund	231.5	243.8	-0.4	—
Equity Fund	270.8	285.2	-0.7	—
Property Fund	139.6	147.0	+0.7	—
International Fund	219.3	230.9	-1.2	—
Fixed Int. Fund	194.8	205.2	+1.3	—
Index Stk. Fd.	118.0	124.3	+0.3	—
Cash Fd.	130.5	137.5		—
Pens. Mixed Fd. Ord.	274.9	289.4	-0.6	—
Pens. Equity Fd. Ord.	308.7	325.1	-0.8	—
Pens. Prop. Fd. Ord.	158.4	166.9	+0.7	—
Pens. Int. Fd. Ord.	266.7	280.8	-1.4	—
Pens. Fxd.Int.Fd.Ord.	234.4	246.9	+1.4	—
Pens. Ind.Stk.Fd.Ord.	126.9	133.7	+0.3	—
Pen. Cash Fd. Ord.	160.6	168.5	+0.1	—
PM Man June 3	1168.1	1168.1	-2.3	—
PM St Ex June 3	1207.5	1207.5	-2.7	—
PM Prop June 3	149.1	149.1	+0.5	—
PM Cash June 3	175.7	175.7	+0.1	—
Ex Unit Acc May 21	520.6	537.6		—

Sentinel Life plc
2 Eyre Street Hill, EC1R 5AE 01-278 4488

Pension Mngd (Acc)	62.4	62.4	—	—
Pension Mngd (Cap)	61.8	61.8	—	—

Sharp (Albert E.) & Co.
12 Newhall Street Birmingham B3 3ER. 021-236 5801

Man-Clerical Med	105.8	111.4		—
Pens. Man-Schroder	428.2	450.7	+0.7	—

Skandia Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 334411

Skandia Life Funds				
Managed Fd.	214.4	225.6	-0.2	—
Equity Fd.	229.0	241.0	-0.4	—
International Fd.	235.0	247.3	-1.3	—
Gilt Plus Fd.	177.3	186.6	-0.9	—
Property Fd.	152.1	160.1		—
Deposit Fd.	154.9	163.0	+0.1	—
North American Fd.	126.0	132.6	-2.1	—
North European Fd.	180.3	189.7	+1.7	—
Int. Recovery Fd	147.6	155.3	-0.9	—
Pacific Fd.	156.4	163.5	-0.3	—
Skandia Arbuthnot Funds				
Capital Growth	119.4	125.6	+0.3	—
Eastern & Intl	120.7	127.0	-0.2	—
Fin. & Prop Share	137.1	144.3		—
International	99.0	104.2	+0.7	—
Gilt & Fixed Int	113.1	119.0	-0.4	—
Equity Income	144.8	152.4	+0.3	—
High Yield	135.8	142.9	+0.8	—
Managed	142.9	150.4	+0.1	—
Preference Share	127.2	133.8	+0.2	—
Smaller Companies	134.3	141.3	+0.1	—
World Penny Share	90.9	95.6	—	—
Skandia Britannia Funds				
Growth Gilt	108.3	114.0	+0.3	—
Intl. Recovery	141.2	148.6	-0.4	—
Smaller Companies	129.3	136.1		—
National High Inc.	158.2	166.5	-0.1	—
Extra Income	135.6	142.7	-0.2	—
Income and Growth	146.9	154.6		—
Gilt	111.2	117.0	-0.2	—
Pref. Shares	120.9	127.2	+0.5	—
Commodity Shares	82.7	87.0	-0.5	—
Financial Securities	121.5	127.8	+0.2	—
Gold and General	62.6	65.8	-0.4	—
Intl. Leisure Mark.	143.0	150.5	-0.6	—
Intl High Income	110.1	115.8	-0.4	—
Property Shares	159.4	167.7	+1.7	—
Universal Energy	61.3	64.5	+0.4	—
World Technology	83.7	88.1	-0.6	—
American Growth	122.9	129.3	-2.7	—
American Income	105.1	110.6	-0.8	—
American Small Co.	97.1	102.2	-2.4	—
Australian Growth	94.6	99.5	-2.1	—
European Gwth Tst.	98.4	103.5	+0.9	—
European Sm. Co.	133.3	140.3	+2.0	—
Far East	106.5	112.1	+0.7	—
Hong Kong Perf	110.2	115.9	-2.5	—
International Growth	120.4	126.7		—
Japan Performance	140.9	148.3	-0.2	—
Japan Small Co.	115.8	121.8	+0.6	—
UK Growth	128.3	135.0	+0.3	—
Managed	116.3	122.4	-0.1	—
Skandia Framlington Funds				
American and General	112.0	117.8	-1.2	—

TSB Life Ltd
PO Box 5, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	143.0	150.7	...	—
Property Fund	118.6	124.9		—
Fixed Int Fund	135.1	140.2	+0.7	—
Money Fund	114.9	121.1	+0.1	—
Equity Fund	178.2	187.7	-0.5	—
TSB Pensions Ltd.				
Managed Pension	360.5	379.4	-0.3	—
Deposit Pension	109.6	115.3	+0.1	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Managed	375.0	394.8	+0.6	—
Property	251.5	264.8		—
Fixed Int.	170.2	179.2	-0.8	—
UK Equity	444.7	468.2	+2.1	—
Int. Equity	287.8	303.0	+1.8	—
Deposit	152.5	160.6	+0.1	—
Managed Property	166.2	175.0	+0.2	—
American Eagle	114.9	121.0	-0.1	—
Technology	99.0	104.3	+0.5	—
Worldwide Income	148.5	156.4	-0.5	—
Pacific	131.9	138.9	+1.1	—
Australian	65.1	68.6	-0.7	—
Japan	245.2	258.2	+2.1	—
Malaysia & S'pore	72.3	76.1	+0.1	—
Commodity	84.5	89.0	-0.1	—
Energy	53.9	56.8		—
Gold	91.8	96.7	+0.4	—
Financial	189.6	199.5		—
Income	211.9	223.1	+0.9	—
Special Situations	192.3	202.5	+1.3	—
Preference	134.3	141.4	+1.0	—
Managed Currency	86.0	90.6	+0.3	—
European Spec. Sits.	154.8	163.1	+2.1	—
Sterling	6.6	—	...	
Pension Funds				
Managed Pension	1084.5	1141.6	..	—
Gilt Pens.	364.3	383.5	+2.3	—
Property Pens.	485.5	511.1	+0.6	—
Equity Pens.	457.1	481.2	+1.9	—
Index-L Pen	123.7	130.3	+0.1	—
Guar. Pen	243.0	255.8	+0.1	—
Leicester Retirement	137.2	144.5		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	169.3	178.2		—
Gilt & Fixed Int Fd	139.2	146.5		—
Cash Fund	118.7	125.0		—

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent Medway 812348

LACOP Units	£17.04	17.90	...	—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey 0481 27066

International Equity	522.8	550.4	—
Do $	7.890	8.310	—
Pacific Equity	153.7	161.8	—
Do. $	2.320	2.449	—
North Amer Equity	110.5	116.4	—
Do $	1.665	1.755	—
UK Equity	376.1	395.9	—
Do. $	5.675	5.975	—
European Equity	225.3	237.2	—
Do. $	3.400	3.580	—
Internatl Fixed Int.	487.8	513.5	—
Do. $	7.360	7.750	—
Sterling Fixed Int.	347.1	365.4	—
Do $	5.235	5.515	—
Dollar Deposit	126.8	133.5	—
Do. $	1.910	2.015	—
Sterling Deposit	182.7	192.4	—
Do $	2.755	2.900	—
Commodity	450.8	474.6	—
Do. $	6.805	7.165	—
Gold	67.7	71.3	—
Do. $	1.020	1.075	—
UK Property	207.9	218.9	—
Do $	3.135	3.300	—
Internatl Managed	418.0	440.0	—
Do $	6.310	6.645	—
UK Managed	325.4	342.6	—
Do. $	4.910	5.170	—
Star Fund 2	125.3	131.9	—
Do $	1.890	1.990	—
Star Fund 3	126.8	133.5	—
Do $	1.910	2.015	—
Star Fund 4	132.1	139.1	—
Do $	1.990	2.095	—

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda

T-G American	$25.92
T-G Money	$26.75
T-G Eurobond	$21.45
T-G Commodity	$29.13
T-G Mortgage	C$10.34
T-G Overseas	$17.03
T-G Pacific	¥2 948
T-G Wall Street	$36.67
T-G Gold	$9.22

M. G. Tyrrell & Co. Ltd.
PO Box 415, London W13 9NY.

The Moneycentre, Plymouth PL1 5SE 0752 24141
High Int Chq Acc 10.00 7.46 10.31 Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES
Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS
3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	38	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	22
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	3½
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	58

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

US copper workers make pay cut offer

UNIONS AT Newmonth Mining Corporation's subsidiaries Magma Copper Company and Pinto Valley Copper Corporation have countered the company's proposal of a $4 an hour wage cut with an offer to accept a $1 an hour reduction, reports Reuter from New York.

But a company official said the offered cut was "definitely not enough."

He said even the $4 cut would *not make the company profitable.* "It will just help us no our long range plan for survival."

The company says it is still hopeful that agreement can be reached before the existing labour contracts expire on June 30 at Pinto Valley and on July 1 at Magma.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,740-2,780.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.60-2.95.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 1.06-1.11, sticks, 1.08-1.13.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.30-7.30.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 220-230.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.70-2.75.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.60-5.00.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 47-56.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.25.

EEC calls for tighter control of fisheries

BY TIM DICKSON IN BRUSSELS

CRITICISMS OF the way in which EEC member states are enforcing the conservation provisions of the Common Fisheries Policy were voiced yesterday by the European Commission.

In a report which will be presented to the next meeting of EEC Fisheries Ministers later this month the Commission says that it found evidence of over-fishing in Community waters but insists that the problem is *not excessive. An official last* night said that it amounts to an estimated one to two per cent of the total allowable catch set by the Commission each year.

The report nevertheless calls for tighter enforcement of individual quotas through an extension both of its own powers and those of national governments.

The EEC's fisheries conservation policy, which was adopted in 1983, is essentially two pronged. It fixes each year the total allowable catch for certain categories of fish and it spells out a number of "*technical* measures" (restrictions on mesh sizes, minimum landing sizes and rules on where fishing can take place) to back this up.

The Commission says that the last three years have been a "transition period" but that steps must now be taken to *make sure that the rules* are more rigorously applied. One way is to start implementing the infringements procedure and take cases to the European Court. Another is for the Commission to call on national governments to launch more "administrative enquiries" where fisheries are suspected of *not playing by the rules.* Coincidentally the Dutch Government took action yesterday against a fishery which was found to have recorded mackerel catches as horse mackerel, a different species.

The report also says that the powers of member states should be widened so that as well as inspecting boats at sea they will in future be able to inspect landings and fish markets where useful information can be gathered.

The Commission would also like to extend its authority so that its 13 inspectors who currently visit Community ports with the approval of local officials can in future insist on the right to make spot checks uninvited.

The report concludes that in several member states there are insufficient national measures to *make the Community legislation* effective and in others insufficient co-operation with Commission inspectors.

LME fails to resolve dispute over investor protection rules

BY ANDREW GOWERS

THE LONDON Metal Exchange and the international copper industry have failed to resolve their differences with the UK Government and with its new City regulatory body, the Securities and Investments Board, over proposed changes in the LME's trading system.

Officials said that meetings between representatives of the exchange, the industry, the SIB and the Department of Trade and Industry yesterday and the day before had left the exchange at loggerheads with its would-be regulators on the issue. The LME is continuing to demand special treatment under UK investor protection rules, while the SIB insists that it must implement the leter of financial services legislation now before Parliament.

The exchange — the world's leading metals market — and the Board *have agreed to hold* another meeting on the subject, but no date has been fixed. The copper industry, represented in this case by the British Non-Ferrous Metals Federation, is also hoping to meet the SIB soon.

The controversy focuses on the LME's current system of inter-office trading. The SIB says this does not assure investors of obtaining a fair price as required by the Financial Services Bill or guarantee the establishment of accurate audit trails for the market, and that it will therefore have to change if the LME is to qualify as a recognised investment exchange.

The LME is adamant that the system works as it is, and that any further change—following *the introduction of a central* clearing-house, to which the exchange has already agreed—would be too costly.

The possible alternatives include expanding the exchange's two official ring trading sessions to a full "open outcry" system, or building up the computerised recording of transactions.

Copper industry representatives described yesterday's meeting with Government officials as "helpful." Officials said it gave them an opportunity to explain the provisions of the Financial Services Bill, some of which did not appear to be fully understood by the LME.

Chernobyl's market fallout

BY RICHARD GILMORE

THE WORST of the Soviet nuclear disaster at Chernobyl may now be over, but commodity markets could still feel the heat for some time in the form of increased price volatility and trading volume.

Traders in Chicago maintain that the event has vanished from their calculations just as fast as the winds swept radiation fallout across the European continent. Most markets have settled down—straitjacketed by the sheer force of fundamentals.

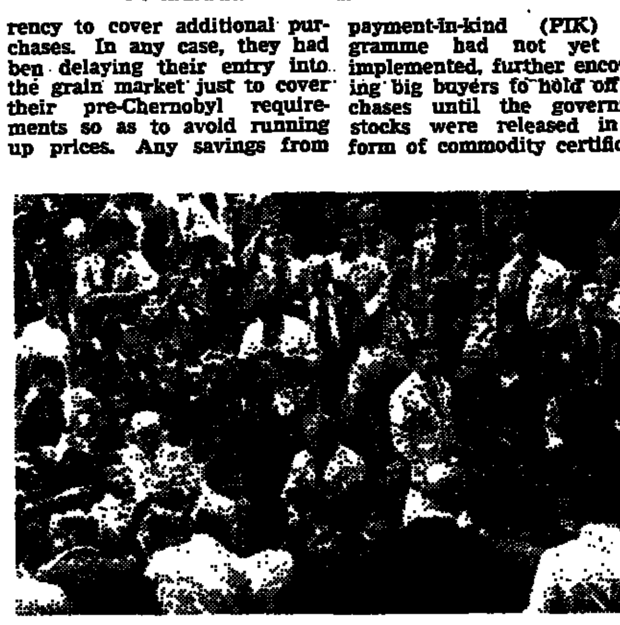
Global wheat and coarse grain surpluses, particularly in the US, exceed any reasonable estimates of revised Soviet import requirements. The EEC's meat and dairy stocks alone are more than sufficient to cover Soviet needs.

In addition, the consensus within the scientific community now indicates that the impact of the disaster on Soviet grain production will be only slight. The US Department of Agriculture estimates that a maximum of 4 per cent of this year's crop could be affected. The UN's Food and Agriculture Organisation said in Rome yesterday that this year's aggregate cereal production in the Soviet Union and in neighbouring countries was *not expected to be reduced* significantly.

Serious questions remain, of course, about the effects of radiation on forage and livestock. The Ukraine, where Chernobyl is situated, accounts for more than 20 per cent of Soviet livestock, and significant numbers of animals may have to be destroyed.

But it is far from clear that this will translate into large Soviet purchases on the world market. Many Sovietologists believe that the USSR will tolerate higher radiation levels in its food than are considered acceptable in the West.

And with the gold price in the doldrums and the oil market sharply down, the Soviets have less foreign currency to cover additional purchases. In any case, they had ben delaying their entry into the grain market just to cover their pre-Chernobyl requirements so as to avoid running up prices. Any savings from payment-in-kind (PIK) programme had not yet been implemented, further encouraging big buyers to hold off purchases until the government stocks were released in the form of commodity certificates.



Brisk trading on the CBOT floor

this strategy would be lost quickly if they signalled that they were adding to their shopping list.

Why, *then, did the markets* react as they did when news of Chernobyl began to filter out? The most obvious answer is they had never had to deal with a problem of this kind before.

The nuclear blast injected a major element of uncertainty into markets which—perhaps complacently—had been previously locked into a holding pattern at eight-year lows.

The prospect was for continued price declines, despite the sharp drop in the value of the US dollar. Buyers were content to delay their purchases until lower loan rates *for 1986 crops were fully in* effect under new American farm legislation, the Food Security Act of 1985. This year's Commodity merchants, accordingly, were staying on the sidelines, maintaining a consistently modest open position.

But even before Cheronbyl, there were signs that the bear trend could be bucked. Speculators and chartists trading for their own and for institutional accounts were readying themselves for a move based on their operating principle that the market had been oversold. The nuclear disaster merely underlined existing concerns over factors like worsening wheat conditions in Kansas and the Southeast. Chernobyl, in other words, was merely an excuse for something they were already planning to do.

Commercial houses in general adhered to their selling strategy, while other traders went *for high profits by buying the* short-term position in any contract that was moving upwards. Thus the volume of futures and options contracts traded climbed steeply, while the open position at the end of each day remained virtually unchanged.

It was the same story in all the grain and oilseed contracts. In the first three days of the week beginning April 28, for example, wheat futures traded at more than twice the volume of the preceding five-day period on the Chicago Board of Trade. Maize and soyabean futures volume tripled between April 28 and 29.

The bulls were on a stampede, with wheat, maize, sugar and soyabean prices surging and *even oil moving up* on the heightened perception of the risks of nuclear power.

But the bull run contained the seeds of its own demise and ended before the immediate impact of the nuclear disaster had been assessed. The market started to discount the effects of the accident amid more sober assessments of its implications for agriculture. But more important factors in the subsequent price decline were the market's chartists, who moved out of commodities as fast as they had come in, taking the speculators with them.

Although the higher volumes resulting from the news from the Ukraine lingered well into May, they have now more or less faded away. In the week ending May 30, for example, wheat futures traded 35.48m bushels—close to the pre-Chernobyl level.

The chartists and speculators do not need another Chernobyl *to prompt their re-entry,* since it is price volatility which any trader seeks. At least, after months of apathy, they have been reminded that the agricultural markets exist. The nuclear disaster may, in short, have ushered in a period of greater unpredictability for commodities like wheat, coarse *grains, oilseeds and sugar.*

Richard Gilmore is a Washington-based agricultural consultant.

China waking up to futures trading

BY DAVID OWEN IN CHICAGO

CHINA, for so long slumbering giant of world trade, is preparing to start direct use of major commodity futures.

The focal point of its efforts is currently Chicago, home of the world's two largest agricultural and financial futures and options exchanges: the Chicago Board of Trade and the Chicago Mercantile Exchange.

After last year's symbolic but significant visit by Premier Li Xiannian to the floor of the CME, the People's Republic recently took the eminently practical step of securing some expert tuition. On April 29 the International Trade Research Institute of China's Ministry of Foreign Economic Relations and Trade (ITR) signed a memorandum of understanding with the CME's arch-rival, the CBT, for a programme teaching ITRI officials how the market works.

At the same time, Sun Hanchao, deputy director of the ITRI, said that China planned to start trading grains and metals futures on the CBT "at an appropriate time." Such a move would certainly provide an important boost for ailing CBT agricultural contracts. Last year, agricultural volume on the exchange dropped around 30 per cent from 1984 levels.

For the moment, the emphasis is firmly on education, with Chinese delegations visiting both Chicago exchanges with increasing regularity. "Our relationship with the Bank of China goes back two to three years," says Mr William J. Brodsky, CME President and chief executive officer. "I think they are trying to understand how the markets work."

Maize, wheat, copper and gold are the main CBT traded commodities in which China is emerging as a significant force in world trade (most Chinese rice and cotton is consumed domestically). In addition, according to Mr Raymond W. Carmichael, vice president, public relations, "they want to get back into the position of being a major world soya bean producer," and are "very interested" in options. In this vein, the CME's foreign currency futures and options contracts would appear to be another prime candidate for Chinese attention.

China became a big maize exporter in 1985, selling 6.34m tonnes abroad. In the first half of the year, it had slashed its wheat imports to 3m tonnes from 9.9m tonnes in the corresponding 1984 period. Gold output is expanding fast, while the country remains a major net importer of copper.

Whatever the current state of play, the prospect of the world's most populous nation participating directly in futures and options trading is clearly an exciting one for exchanges in Chicago and elsewhere. Mr Gilmore compares it with Brazil in 1974 —"before the soya bean explosion."

"Our major hope long-term is that the Chinese Government will start using the market on a regular basis, like the Australian and Canadian Wheat Boards," says Mr Carmichael. "But we are not fooling ourselves that within two, five or even ten years they will be major players."

LONDON MARKETS

CONCERN about nearby supply tightness helped to push the London Metal Exchange cash zinc price up to a nine-month high yesterday. With further encouragement for the rise coming from news that Preussag of West Germany will lose 5,000 tonnes of production over the next two months because of damage to its Nordenham plant the cash price gained £9 to close at £518.50 a tonne, and the discount against the three months position narrowed slightly. Further gains were registered in kerb trading following news that Metallgesellschaft of West Germany had raised its European selling price by $30 to $790 a tonne while Penarroya of France had raised its by $40 to $800.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	795-7	+2.5	802/800
3 months	766-8	—5.5	776/763.5

Official closing (am): Cash 802-3 (788-9), three months 770.5-1 (770-1), settlement 803 (789). Final Kerb close: 768.5-9. Turnover: 27,400 tonnes.

COPPER

	Unoffic'l close	+ or —	High/low
Cash higher grade	941-2	+7.0	935.5/933
3 months grade A	949-50	—2.025	953/939

Official closing (am): Cash 933.5-4 *(939-9.5), three months 945.5-6 (951-1.5)*, settlement 934 (939.5). Final Kerb close: 953-4.

Cash Cathodes	935-40	+8.5	—
3 months standard	938-9	+2.5	939/939

Official closing (am): Cash 932-2.5 (931-2), three months 933-5 (937-40), settlement 932.5 (932). US Producer prices 66.00-71.00 cents per pound. *Total turnover: 36,600.*

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	269-70	+8.0	269/268
3 months	273-4	+6.0	279/267

Official closing (am): Cash 268.5-6 (255-5.5), three months 273-3.5 (261-1.5), settlement 268 (255.5). Final Kerb close: 277-8. Turnover: 14,950 tonnes. US Spot: 20.00-21.00 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2705-15	+20.0	2685/2681
3 months	2760-5	+15.0	2768/2740

Official closing (am): Cash 2686-1 (2675-80), three months 2740-2 (2735-8), settlement 2681 (2680). Final Kerb close: 2775-8. Turnover: 348 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close: — *(13.99) ringgit per kg. Public* holiday.

ZINC

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
High grade Cash	518-9	+19.0	518/518
3 months	527-8	+8.25	530/510

Official closing (am): Cash 518-9 (508-9), three months 526.5-7 (519.5-20), settlement 519 (509). Final Kerb close: 529.530. Turnover: 18,650 tonnes. US Prime Western: 35.00-38.75 cents per pound.

GOLD

Gold fell $¾ an ounce from Tuesday's close in the London bullion market yesterday to finish at $340¾-341¼. The metal opened at $341½-342 and traded between a high of $341¾-342¼ and a low of $340½-341. Trading was once again quiet and featureless with little attention paid to the fluctuations in the value of the dollar.

GOLD BULLION (fine ounce) June 4

Close	$340¾-341¼	(£229-229½)
Opening	$341½-342	(£228¼-228¾)
M'n'g fix	$341.40	(£228.465)
Aft'n'n fix	$340.75	(£228.952)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$341¾-342¼	(£230¼-230¾)
½ Krug.	$179¼-180½	(£120¾-121¾)
¼ Krug.	$91¼-92	(£61½-62)
1/10 Krug.	$36¾-37¾	(£24½-25½)
Mapleleaf	$352-352½	(£237¼-237½)
Angel	$350½-352½	(£236¼-237½)
1/10 Angel	$34¼-39¼	(£23-26½)
New Sov.	$81½-82	(£55-55¼)
Old Sov.	$86½-88	(£58¼-59¼)
$20 Eagle	$430-470	(£289¾-316¾)
NoblePlat	$429¾-434½	(£289½-292¾)

SILVER

Silver was fixed 1.3p an ounce lower for spot delivery in the London bullion market yesterday at 342.55p. US cent equivalents of the fixing levels were: spot 510.2c, down 2.15c; three-month 518.7c, down 2.35c; six-month 528.1c, down 2.2c; and 12-month 546.6c, down 2.4c. The metal opened at 343-344½p (513-515c) and closed at 343-344½p (510-512c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	342.55p	—1.30	348.5p	+1.5
3 months	350.85p	—1.50	350.5p	+1.5
6 months	358.40p	—1.45	—	—
12 months	372.80p	—1.40	—	—

LME—Turnover: 3 (188) lots of 10,000 oz.

Three months high/low 350.1p, final kerb 350-2p.

MEAT

Pigmeat sales: 20 (20) lots of 50 carcases, 3,250 kg.

Beef sales: 3 (0) lots of 20 sides.

Month	PIGMEAT Y'day's close	+ or —	BEEF Y'day's close	+ or —
June	110.00	+1.00	198.00	—
July	105.00	—0.40	190.00	+3.00
Aug	103.80	—0.90	181.00	—1.00
Sept	109.40	—0.60	179.00	—3.50

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 103.79p per kg lw (+0.30). GB—Sheep 247.43p per kg est d c w (+3.08). GB—Pigs 81.46p per kg lw (+0.59).

Spot June pigmeat closed strongly again because of short-covering before its expiry, reports Eastern Capital CCST.

INDICES

REUTERS

June 4	June 3	M'th ago	Year ago
1729.5	1733.4	1788.1	1806.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 3	June 2	Month ago	Year ago
Spot	125.36	125.75	—	117.49
Fut.	114.50	114.53	—	119.69

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	June 4 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1365/825	+20	$1310/830
Copper			
Cash h Grade	£941.5	+7	£930.25
3 mths	£949.5	+2.25	£934.5
Gold Troy oz	$341	—0.75	$342.75
Lead Cash	£269.5	+8	£239.25
3 mths	£273.5	+6	£245.63
Nickel			
Free Mkt	181/201c	.....	184/204c
Palladium oz	$108.00	—0.25	$109.00
Platinum oz	$417.50	—4.75	$417.75
Quicksilver †	$205/215	.....	$220/230
Silver troy oz	342.55p	—1.30	336.20p
3 months	350.85p	—1.50	344.50p
Tin			
free mkt	£3610/640	.....	£3860/70
Tungsten	$59.13	.....	$62.07
Wolfram 22.0lb	$43/50	.....	$45/55
Zinc	£518.5	+9	£454.5
3 months	£527.5	+8.25	£463.75
producers	$760/790	.....	$700/730
OILS			
Coconut (Phil)	$260u	.....	$240
Palm Malayan	$243.5z	.....	$246
Copra Phil	$150u	.....	$155
Soyabean (U.S.)	$149y	.....	$151
GRAINS			
Barley Fut.Sept	£97.80	—0.35	£96.50
Maize	£138.50	—0.5	£143.00
Wheat Fut Sept	£99.30	—0.15	£118.90
No. 2 Hard Wint.	‡	.....	‡
OTHERS			
Cocoa Ft. Sept	£1340.5	+19	£1264.5
Coffee Ft. Sept	£1902.5	—30	£2134.5
Cotton A Ind.*	43.55c	—0.2	46.30c
Gas Oil July	$113.25	—5	$145
Rubber(kilo)	58p	.....	54.0p
Sugar (raw)	$171.50u	—6	$210.5
Wooltops 64s	423p kilo	.....	418p kilo

‡ Unquoted. † Per 75 lb flask. c Cents per pound. w June. x May-June. z July. u June-July. y July-Aug. * Cotton Outlook.

COCOA

Futures opened considerably steadier than was expected and gained £35 before light profit-taking was seen. Some limited producer interest was noted and consumers also made light forays into the products market, reports Gill and Duffus.

COCOA £ per tonne	Yesterday's Close	+ or —	Business Done
July	1317-1319	+16.5	1334-1298
Sept.	1340-1341	+19.0	1358-1336
Dec.	1377-1379	+17.0	1396-1372
March	1406-1408	+15.5	1424-1400
May	1429-1430	+20.0	1445-1421
July	1440-1450	+16.0	1468-1444
Sept.	1460-1470	+17.5	1465-1462

Sales: 4,629 (2,634) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for June 4: 85.82 (85.16); five-day average for June 5: 85.57 (85.81).

COFFEE

Fresh fundamental and technical news was sparse and the market fell. Physical offtake appeared non-existent, reports Drexel Burnham Lambert.

COFFEE	Yesterday Close	+ or —	Business Done
July	1852-1855	—29.0	1869-1838
Sept.	1900-1905	—30.0	1915-1855
Nov.	1935-1945	—23.0	1942-1908
Jan	1960-1965	—17.5	1978-1969
Mar.	1970-2000	—15.0	1978-1969
May	1985-1995	—40.0	1985
July	1990-2050	—47.5	—

Sales: 4,296 (4,237) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for June 3: Comp. daily 1979 157.78 (153.36); 15-day average 158.58 (168.85).

SOYABEAN MEAL

	Latest close £ per tonne	+ or —	Business Done
June	123.5-125.5	—0.60	—
August	125.0-125.8	+0.50	125.0
October	125.8-126.8	+0.15	125.8
Dec.	126.5-128.5	—0.25	—
Feb.	128.8-129.8	+0.25	—
Apr.	128.5-130.5	.....	—
June	128.5-129.5	—0.25	—

Sales: 50 (730) lots of 20 tonnes.

GRAINS

Old crop wheat eased sharply, *absorbing commission house support* to reach new contract lows. New crops eased on nervous long liquidation, reports T. G. Roddick.

Mnth	WHEAT Yesterday close	+ or —	BARLEY Yesterday close	+ or —
July	112.90	—1.45	—	—
Sept	99.30	—0.15	97.80	—0.35
Nov	101.80	—0.15	100.95	—0.25
Jan	104.90	—0.15	104.05	—0.25
Mar	107.65	—0.15	106.55	—0.25
May	110.15	—0.05	108.45	—0.30

Business done—Wheat: July 114.15-2.90, Sept 99.45, Nov 101.80, Jan 104.90, March 107.65-7.55, May 110.15. Sales: 111 lots of 100 tonnes. Barley: Sept 98.10-7.80, Nov 101.00, Jan 104.00, March and May untraded. Sales: 20 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1 15 per cent June 111.75, July 107.25, August 102.75 transhipment East Coast. US No. 2 Soft Red Winter July 90.75, August 91.75. EEC first-half June 130.00. English Feed fob Spot 114.00-114.75, June 117.00-119.00 buyer-seller, Sept 101.00 value, Oct 103.25-103.75, Oct-Dec 105.25-105.75, Jan-March 110.25-110.50 buyer-seller, April-June 114.50 value. Maize: US No. 3 Yellow/French transhipment East Coast first-half June 138.50. Barley: English Feed fob Spot 118.00 buyer, July-August 100 buyer, August 98.50 seller, Sept 100.00-101.00 buyer-seller, Oct-Dec 105.50 seller, Jan-March 110.50 seller.

HGCA—Locational ex-farm spot prices. Feed Barley: Scotland 114.00. The UK monetary coefficient for the week beginning Monday June 9 will change to 1.067.

SUGAR

LONDON DAILY PRICE—Raw sugar $171.50 (£115.00), down $6.00 (down £4.50) a tonne for June/July delivery. White sugar $197.00, down $5.00.

Prices eased following Tuesday's set-back, in the wake of the 30,000 tonnes sold by the Philippines for August/October shipment, reports C. Czarnikow.

No. 6 Contract $ per tonne F.O.B.	Yesterday close	Previous close	Business done
Aug	164.4-164.6	167.6-167.4	167.6-164.8
Oct	168.6-168.8	171.4-171.6	172.2-168.8
Dec	172.8-174.8	174.4-176.8	176.2
Mar	177.8-179.0	180.2-180.6	180.8-178.2
May	181.0-182.0	183.0-184.4	—
Aug	185.0-186.0	187.0-188.0	—
Oct	188.0-190.0	192.0-195.0	—

Sales: 1,682 (3,429) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £219.50 (£24.50) a tone for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for June 3: Daily price 7.19 (7.01); 15-day average 7.18 (7.26).

No. 6 cif contract—ug 179.4-3.8, Oct 178.00-8.0. Sales: 0 lots of 50 tonnes.

PARIS SUGAR—(FFr per tonne): Aug 1433/1434, Oct 1467/1469, Dec 1477/1480, Mar 1510/1524, May 1548/1567, Aug 1595/1610.

POTATOES

The market's failure to break *£117.00 support area, basis April, led* to nervous short-covering in thin trading conditions. On one closing call values rose through a minor chart point. There were *little* fundamental reason for the sudden upturn but it was possibly encouraged by rumours of blight warnings in the Holbeach area and forecasts of overnight frosts, affecting a market already sensitive to any weather changes and the subsequent effect on crop development, reports Coley and Harper.

Month £ per tonne	Yesterdays close	Previous close	Business done
Nov	88.80	87.00	88.50-87.50
Feb	97.00	96.00	—
Apr	121.50	117.50	121.50-117.80
May	132.00	127.50	128.50
Nov	87.50	87.50	—

Sales: 328 (462) lots of 40 tonnes.

Earlies—July 88.80-6.20, 100.00. Sales: 7 lots of 10 tonnes.

FREIGHT FUTURES

The dry cargo market tended to drift, taking its cue from Atlantic fixings, which were sparse. The tanker market was nervous and vulnerable, suffering from lack of new enquiry, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	636/636.5	637/635	638/640
Oct.	706/707	714/705	716/718
Jan.	728/730	730/727	734/735
April	781/785	—	785/790
July	710/730	—	780/730
Oct.	850	—	780/820
Jan.	900	—	865/900
Apr.	850/925	—	850/900
BFI.	661.5	—	662.5

Turnover: 178 (112).

	Close	High/Low	Prev.
Tankers			
June	1075/1150	1100/1090	1050/1150
July	995/1050	1000	950/1010
Aug	1000/1075	—	—
Sep	1000/1150	—	1000/1060
Dec	1125	—	1050/1120
Mar	1110/1200	—	1120/1200
BTI	1267	—	1310.5

Turnover: 43 (43).

US MARKETS

COPPER FUTURES gained ground on commission house buying and a general lack of selling, reports Heinold Commodities. Concern over the possibility of a strike when labour contracts for domestic copper producers expire on June 30 was a key supportive factor in the market. Cocoa futures closed higher but off the highs, in thin trading. The market was reacting to news from London on progress in ICCO (International Cocoa organisation) talks. The ICCO is specifically reported to be making headway on the addition of economic clauses to the cocoa agreement. Progress in the talks would hinge upon whether the Ivory Coast *decided to fully participate in* the agreement. Some light short-covering and trade buying was reported on the opening but trade selling was seen to take prices down from the highs.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
June	54.55	—	—	55.00
July	54.55	55.35	54.50	55.00
Aug	54.35	—	—	55.00
Sept	54.15	54.80	54.60	54.80
Dec	54.40	—	—	55.05
Jan	54.50	—	—	55.15
March	54.60	55.20	55.20	55.25
May	54.70	—	—	55.35
July	54.80	—	—	55.45
Sept	54.90	—	—	55.55

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1759	1770	1748	1725
Sept	1821	1827	1810	1784
Dec	1876	1883	1868	1845
March	1919	1921	1907	1885
May	1953	1946	1945	1910
July	1978	—	—	1935
Sept	1995	—	—	1963

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
July	190.71	192.25	184.10	188.84
Sept	194.22	196.00	188.00	193.04
Dec	198.37	199.80	192.25	197.25
March	203.50	202.00	196.25	200.00
May	204.00	—	199.50	202.75
July	203.90	203.90	201.00	204.13
Sept	206.63	—	—	203.88

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
June	62.15	—	—	61.65
July	62.45	62.65	61.60	61.90
Aug	62.65	—	—	61.60
Sept	62.80	63.00	62.05	62.25
Dec	63.15	63.25	62.40	62.60
Jan	63.25	—	—	62.70
March	63.45	63.20	62.80	62.95
May	63.70	—	—	63.20
July	64.00	63.95	63.50	63.50
Sept	64.30	—	—	63.80

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	68.07	68.30	67.30	68.16
Oct	34.80	35.20	34.80	34.97
Dec	35.05	35.31	35.02	35.17
March	36.08	36.15	36.00	36.12
May	36.80	37.10	36.85	37.19
July	37.80	38.10	37.80	38.10
Oct	38.10	—	—	38.50

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
July	12.98	13.25	12.75	13.87
August	12.65	12.90	12.40	13.36
Sept	12.75	12.85	12.35	13.20
Oct	12.76	12.85	12.40	13.22
Nov	12.85	12.98	12.45	13.25
Dec	12.96	13.15	12.70	13.28
Jan	13.00	13.10	12.75	13.24
Feb	12.85	13.15	12.85	13.28
March	12.80	13.06	13.00	13.28
April	13.00	13.20	13.00	13.30

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	341.7	342.3	340.7	342.3
July	343.2	—	—	342.7
Aug	344.8	345.4	343.6	345.3
Oct	348.2	348.4	346.5	348.8
Dec	351.8	352.3	350.4	352.1
Feb	355.7	—	—	355.9
April	358.5	—	—	359.6
June	363.4	—	—	363.4
Aug	367.7	—	—	367.6
Oct	371.9	—	—	371.7
Dec	376.5	—	—	376.2
Feb	381.3	—	—	380.9
April	386.2	—	—	384.7

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
July	35.90	36.00	35.00	37.88
Aug	36.85	36.80	36.54	38.54
Sept	37.55	37.70	37.32	39.32
Oct	38.50	38.50	38.11	40.11
Nov	39.27	39.60	38.75	40.75
Dec	40.20	40.25	39.42	41.42
Jan	40.50	40.80	40.20	41.82
Feb	41.00	41.15	40.50	41.30
March	39.00	39.00	38.50	39.30
April	36.85	—	—	37.30

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	98.60	99.85	98.55	98.30
Sept	99.60	100.40	99.60	99.56
Nov	100.80	101.50	100.80	100.55
Jan	101.50	102.20	101.70	101.46
March	102.00	103.70	102.00	101.85
July	103.20	103.80	103.00	102.75
Sept	103.20	—	—	102.75

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	417.3	420.0	416.5	421.2
Oct	420.6	423.0	419.5	424.7
Jan	422.8	424.5	423.0	427.2
April	426.5	429.0	427.0	429.3
July	429.0	431.0	431.0	433.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	515.9	520.0	511.5	514.2
July	518.5	523.5	511.1	517.0
Aug	521.8	—	—	514.2
Sept	525.1	529.0	518.5	523.5
Dec	534.9	539.5	526.5	533.3
Jan	538.2	533.0	533.0	536.8
March	544.6	540.0	539.5	543.0
May	551.5	—	—	549.7
July	558.7	—	—	556.6
Sept	566.1	—	—	563.8

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
July	7.29	7.44	7.25	7.36
Sept	7.37	7.50	7.37	7.48
Oct	7.51	7.69	7.50	7.63
Jan	7.63	7.70	7.70	7.80
March	7.94	8.10	7.92	8.06
July	8.28	8.35	8.28	8.39
Sept	8.39	—	—	8.50
Oct	8.55	8.55	8.50	8.62

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
June	52.90	53.32	52.55	52.55
Aug	50.40	50.90	50.15	50.12
Oct	50.07	50.55	49.80	49.75
Dec	52.30	52.62	51.92	51.86
Feb	52.65	52.80	52.35	52.20
April	54.15	54.15	53.70	53.80
June	54.90	54.90	54.90	54.60

LIVE HOGS 30,000lb, cents/lb

	Close	High	Low	Prev
June	50.75	50.80	50.20	50.65
July	47.65	48.10	47.30	48.07
Aug	45.07	45.60	44.90	45.60
Oct	41.40	41.82	41.32	41.82
Dec	41.67	42.15	41.60	42.10
Feb	41.60	41.90	41.50	41.70
April	38.90	38.90	38.65	38.82
June	40.90	40.90	40.75	40.85
July	41.22	—	41.22	41.27

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	237.0	237.4	234.6	235.4
Sept	200.6	201.4	—	200.4
Dec	194.6	195.6	194.0	194.6
March	204.2	205.4	203.6	204.6
May	209.4	210.4	209.0	210.0
July	209.6	211.0	209.4	210.0
Sept	198.4	199.0	198.0	198.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	68.32	68.85	67.45	68.86
Aug	66.45	67.20	65.75	67.08
Feb	58.40	59.60	58.30	59.67
March	57.30	58.00	57.30	58.50
May	59.40	59.80	59.40	60.40
July	61.00	—	61.00	61.20

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	529.0	529.6	526.4	527.4
August	521.6	522.6	519.6	520.2
Sept	510.6	511.4	509.0	508.6
Nov	506.6	508.0	504.6	506.6
Jan	515.6	516.4	513.6	516.2
March	524.6	525.4	524.0	525.2
May	529.4	531.4	529.4	531.0
July	533.4	534.0	532.4	533.4
August	532.4	532.4	532.0	532.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	147.2	147.9	146.8	147.4
August	146.3	147.3	146.1	147.0
Sept	144.2	145.6	144.2	145.4
Oct	142.7	144.5	142.2	143.9
Dec	144.3	146.0	144.0	145.6
Jan	145.6	146.9	145.5	146.5
March	147.6	148.5	147.6	148.7
May	152.2	—	—	152.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	17.47	17.80	17.26	17.27
August	17.64	17.82	17.43	17.42
Sept	17.73	17.90	17.49	17.50
Oct	17.80	17.88	17.47	17.50
Dec	18.08	18.25	17.85	17.82
Jan	18.15	18.30	17.98	17.92
March	18.41	18.50	18.41	18.25
May	18.70	18.70	18.57	18.55

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	252.6	253.6	247.4	249.2
Sept	254.0	255.0	249.4	251.2
Dec	260.4	262.4	257.0	258.6
March	260.0	261.0	257.0	258.4
May	249.4	251.0	248.4	248.4
July	237.4	238.0	237.0	238.4

SPOT PRICES—Chicago loose lard 9.50 (10.00) cents per pound. Handy and Harman silver bullion 513.0 (512.5) *cents per troy ounce.*

OIL

Late-June Ninian sold at $11.90 and 15-day June Brent at $11.80, but prompt barrels were mostly ignored in a weak *market, following publication of bearish* API statistics. Nymex WTI for July opened 98c down and traded 87c down at 1.30 pm EDT. In the petroleum products market gas oil prices edged down in line with futures markets and withdrawal of end-user buying—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	10.15-10.20	—0.50
Brent Blend	11.80-12.00	—0.75
W.T.I. (1pm est)	15.15-15.25*	—0.70
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	182-186	—3
Gas Oil	111-113	—4.75
Heavy fuel oil	50-52	—
Naphtha	118-120	—5.5

* July Petroleum Argus estimates.

GAS OIL FUTURES

Month $ US per tonne	Yetrday's Close	+ or —	Business Done
June	112.75	—8.25	114.00-11.25
July	113.25	—6.00	114.50-12.00
Aug	115.50	—6.50	117.50-15.00
Sep	118.00	—6.00	120.50-17.75
Oct	120.75	—5.75	123.00-20.75
Nov	124.00	—5.00	126.50-24.00
Dec	126.75	—5.75	128.00-26.75

Turnover: 4,176 (2,986) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market was very quiet, reports Lewis and Peat. Closing prices (buyers): Spot 58.00p (same); July 56.00p (same); August 56.25p (same). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No. 1 was —— (203.0) and SMR 20 —— (184.5).

FUTURES—Index 557, July 558-560, July-Sept 558-560, Oct-Dec 557-560, *Jan-March 568-572, April-June* 583-587, July-Sept 585-590. Sales: 26.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers but nervous

The dollar finished above the *day's lows yesterday in rather* erratic trading. The recent reversal, following comments by US officials suggesting a further decline in the dollar's value, pushed the dollar to a low of DM 2.2580 before it recovered to finish at DM 2.2780 compared with DM 2.2740 on Tuesday.

The dollar enjoyed the benefits of a small technical correction with a firmer Federal funds rate apparently providing underlying support. There was little overall agreement about where the dollar was likely to move next however with tomorrow's US unemployment figures hopefully providing some further indication on the performance of the US economy. The dollar eased to Y171.35 from Y171.55 despite strong suggestions of intervention by the Bank of Japan to stop the yen appreciating. Elsewhere the US unit finished at SFr 1.8845 from SFr 1.8790 and FFr 7.2525 compared with FFr 7.24. On Bank of England figures, the dollar's exchange rate index was unchaned at 117.3.

STERLING — Trading range against the dollar in 1986 is *1.5555 to 1.3770. May average* 1.5202. Exchange rate index 75.7 against 76.0 at the opening and 76.1 on Tuesday. The six months ago figure was 81.2.

Sterling finished at its worst level for nearly a month in rather featureless trading. The pound had been following the dollar but failed to benefit from a late technical correction in the US unit and finished close to the day's lows. Against the D-mark it slipped to DM 3.38 from DM 3.3950 and Y254.25 compared with Y256.25. Elsewhere it slipped to SFr 2.7950 from SFr 2.8050 and FFr 10.76 compared with FFr 10.8125. Against the dollar it eased to $1.4835 from $1.4935.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 134.2 against 129.6 six months ago.

The D-mark finished below its best level in Frankfurt yesterday as the dollar reacted to its recent sharp decline to finish at its best level of the day. The dollar closed at DM 2.2775 after opening at DM 2.2705 and compared with DM 2.2760 on Tuesday. Early trading saw the US unit decline in busy trading to a low of DM 2.2580, following bearish comment by various US officials. However there was a recovery towards the middle of the day although the tendency appeared to be to run short dollar positions in view of current uncertainty.

JAPANESE YEN — Trading *range against the dollar in 1986* is 202.70 to 161.05. May average 167.01. Exchange rate index 202.4 against 175.6 six months ago.

The Japanese yen finished below the day's best levels in Tokyo yesterday, prompted to some extent by small scale intervention by the Bank of Japan. The authorities seem unwilling to see the yen/dollar rate move below Y170 in the run up to next month's general election in Japan. Consequently the dollar recovered from an early low of Y170.35 to finish at Y171.50 up from Y171.35 in New York although weaker than Tuesday's close in Tokyo of Y172.15. Trading was mostly rather quiet as the dollar appeared to lack direction in nervous conditions.

£ IN NEW YORK

June 4	Latest	Prev. close
£ Spot	$1.4845-1.4855	$1.4920-1.4930
1 month	0.36-0.33pm	0.37-0.35pm
3 months	0.95-0.92pm	0.93-0.91pm
12 months	2.80-2.65pm	2.62-2.58pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4820-1.4970	1.4830-1.4840	0.38-0.35c pm	2.95	0.96-0.92 pm	2.53
Canada	2.0643-2.0800	2.0650-2.0680	0.27-0.17c pm	1.27	0.43-0.29 pm	0.69
Nethlnd.	3.79¼-3.82	3.79½-3.80½	1¼-1c pm	3.55	3⅞-3⅝ pm	3.68
Belgium	68.83-69.38	68.85-68.95	18-13c pm	2.70	46-38 pm	2.44
Denmark	12.46-12.54¾	12.46-12.47	2⅞-1⅞ore pm	2.29	6¼-5⅛ pm	1.85
Ireland	1.1115-1.1185	1.1135-1.1146	par-0.08p dis	−0.43	par-0.15 dis	−0.26
W. Ger.	3.37¾-3.39	3.37½-3.38½	1½-1⅜pf pm	5.77	4⅞-4⅛ pm	5.10
Portugal.	222.45-227.32	222.45-225.50	90-320c dis	−10.98	265-880dis	−10.04
Spain	215.48-216.62	215.50-215.75	30-70c dis	−2.78	85-200 dis	−2.64
Italy	2308¾-2324¾	2312½-2313½	3 pm-3lire dis	—	1 pm-6 dis	−0.61
Norway	11.43½-11.50¾	11.43½-11.44½	4⅞-6⅜ore dis	−5.11	14¼-15 dis	−5.11
France	10.73½-10.78¾	10.75½-10.76½	2⅞-2⅛c dis	−2.64	6⅞-5⅞c dis	−2.16
Sweden	10.80½-10.87	10.81½-10.82½	par-⅛ore dis	−0.27	1-1½ dis	−0.50
Japan	253¾-256½	253¾-254¾	1¼-1y pm	5.31	3¾-3⅛ pm	5.11
Austria	23.71-23.91	23.71-23.74	11½-10⅝gro pm	5.50	28¾-25⅞ pm	4.53
Switz.	2.78-2.80¾	2.79-2.80	1⅞-1⅝c pm	5.36	3⅞-3¾ pm	4.63

Belgian rate is for convertible francs. Financial franc 69.15-69.25. Six-month forward dollar 1.68-1.63c pm. 12-month 2.70-2.60c pm. Correction for June 3, French franc close 10.80¾-10.81¾.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4820-1.4970	1.4830-1.4840	0.38-0.35c pm	2.95	0.96-0.92 pm	2.53
Ireland†	1.3330-1.3465	1.3330-1.3340	0.36-0.28c pm	2.88	1.00-0.80 pm	2.68
Canada	1.3890-1.3933	1.3920-1.3930	0.18-0.21c dis	−1.72	0.62-0.67dis	−1.88
Nethlnd.	2.5405-2.5678	2.5605-2.5615	0.18-0.15c pm	0.78	0.78-0.73 pm	1.18
Belgium	46.12-46.50	46.40-46.50	par-2c dis	−0.26	1 pm-3 dis	−0.17
Denmark	8.35½-8.42½	8.40-8.40½	0.10-0.60ore dis	−0.50	1.00-1.50dis	−0.27
W. Ger.	2.2580-2.2795	2.2775-2.2785	0.52-0.49pf pm	2.67	1.47-1.42 pm	2.55
Portugal	151⅛-152½	152¼-152½	100-250c dis	−13.79	275-675dis	−12.48
Spain	144.25-145.40	145.20-145.30	53-70c dis	−5.10	145-175 dis	−4.42
Italy	1550-1561	1558½-1559½	4½-7lire dis	−4.44	15-18½ dis	−4.31
Norway	7.65½-7.71½	7.71-7.71½	5-5⅞ore dis	−8.00	14½-14¾ dis	−7.61
France	7.1900-7.2540	7.2520-7.2530	0.15-0.25c dis	−0.33	0.55-10.75d	−0.36
Sweden	7.24-7.29½	7.29-7.29½	1.90-2.00ore dis	−3.22	5.40-5.60dis	−3.03
Japan	170.20-171.65	171.30-171.40	0.38-0.33y pm	2.49	1.09-1.04 pm	2.49
Austria	15.87½-16.00¼	15.99¾-16.00¾	3.10-2.50gro pm	2.11	8.25-6.75 pm	1.88
Switz.	1.8670-1.8860	1.8840-1.8850	0.36-0.34c pm	2.33	1.15-1.10 pm	2.39

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 46.60-46.70.

EXCHANGE CROSS RATES

Jun. 4	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.484	3.380	254.3	10.76	2.795	3.800	2313.	2.066	68.90
$	0.674	1.	2.278	171.4	7.253	1.885	2.561	1559.	1.392	46.45
DM	0.296	0.439	1.	75.22	3.183	0.827	1.124	684.3	0.611	20.38
YEN	3.933	5.835	13.29	1000.	42.32	10.99	14.95	9097.	8.124	271.0
F Fr.	0.929	1.379	3.141	236.3	10.	2.598	3.532	2150.	1.920	64.03
S Fr.	0.358	0.531	1.209	90.97	3.850	1.	1.360	827.5	0.739	24.65
H Fl.	0.263	0.390	0.889	66.91	2.832	0.736	1.	608.7	0.544	18.13
Lira	0.432	0.641	1.461	109.9	4.652	1.208	1.643	1000.	0.893	29.79
C $	0.484	0.718	1.636	133.1	5.208	1.353	1.840	1120.	1.	33.36
B Fr.	1.451	2.153	4.906	350.0	15.68	4.057	5.515	3357.	2.998	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 4	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	7-7¼	7¼-7½	7¼-7½	7¼-7½	7¼-7½	7¼-7½
B.Fr.(Con)	6¾-7¼	7-7½	7-7½	7-7½	7-7½	7-7½
Yen	4⅝-4⅞	4⅝-4⅞	4⅝-4⅞	4⅝-4⅞	4⅝-4⅞	4⅝-4⅞
D. Krone	8⅛-8⅝	8⅛-8⅝	8⅛-8⅝	8-8½	8¼-8¾	8¼-8¾
Asian $ (Sng)	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅜-7½

Long-term Eurodollars: two years 7⅞-8⅛ per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	75.7	−15.7
U.S. dollar	117.3	+8.0
Canadian dollar	78.6	−12.3
Austrian schilling	125.1	+7
Belgian franc	95.0	−7.5
Danish Krone	85.4	−1.3
Deutsche mark	134.2	+14.2
Swiss franc	157.6	+16.1
Guilder	124.3	+9.1
French franc	68.6	−13.6
Lira	46.1	−18
Yen	202.4	+48.5

Morgan Guaranty changes: average 1980-1982=100, Bank of England index (base average 1975=100).

CURRENCY RATES

June 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.774856	0.636542
US $	6½	1.15376	0.946857
Canadian $	8.43	*	1.31802
Austria Sch	4	18.3967	15.1071
Belgian Fr	8	53.4306	43.9389
Danish Kr	7	9.67659	7.95360
D'mark	3½	2.61742	2.15173
Guilder	4½	2.94582	2.42064
French Fr	9½	N/A	6.85146
Lira	12	N/A	1474.49
Yen	3½	197.870	162.344
Norway Kr	8	8.86088	7.29553
Span'h Pta	—	N/A	137.947
Swedish Kr	8	8.36649	6.88990
Swiss Fr	4	2.16468	1.77833
Greek Drch	20½	163.609	134.531
Irish Punt	—	N/A	0.707666

*C$/SDR rate for June 3: 1.60045

OTHER CURRENCIES

June 4	£	$
Arg'tina	1.2790-1.2810	0.8600-0.8610
Aus'alia	2.1215-2.1260	1.4250-1.4265
Brazil	20.48-20.59	13.77-13.84
Finland	7.8010-7.8135	5.2425-5.2445
Greece	209.40-213.90	140.20-143.20
H'kong	11.5755-11.5845	7.8115-7.8135
Iran	119.20*	80.20*
Kuwait	0.4410-0.4425	0.29700-29725
Lux'burg	68.85-68.95	46.40-46.50
Malaysia	3.9180-3.9290	2.6200-2.6250
N'Z'land	2.5570-2.6645	1.7840-1.7890
Saudi Ar.	5.5765-5.5825	3.7515-3.7525
Sin'pore	3.3265-3.3320	2.2300-2.2320
S Af. (Cm)	3.6920-3.7220	2.4910-2.4970
S Af. (Fn)	5.9635-6.2020	4.0000-4.1670
U.A.E.	5.4590-5.4645	3.6725-3.6735

* Selling rate.

FINANCIAL FUTURES

Nervous trading

Three-month sterling deposit futures retreated from the day's highs to finish virtually unchanged on the day in the London International Financial Futures Exchange yesterday. The September contract opened at 90.92 up from 90.90 and rose to a high of 91.01 at one point as cash rates declined further on growing expectations of an early *cut in clearing bank base rates.* However the momentum was not sustained as sterling fell to its lowest level for nearly a month and US cash rates edged higher. The September price came back to finish at 90.90, unchanged from Tuesday.

Long gilt futures acted in much the same way, recording a useful volume at the same time of around 10,000 lots traded. The September price opened at 123-25 up from 123-09 on Tuesday and touched a high of 124-05 before finishing at 123-08.

US Treasury bonds prices held on to some of the day's gains but finished below the day's highs. Lower oil prices provided underlying support but there was considerable uncertainty surrounding the performance of the dollar and ahead of today's US unemployment figures.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	7.40	—	—	—	0.24	—	—	—
118	5.61	7.08	—	—	0.45	2.02	—	—
120	4.30	5.54	—	—	1.14	2.48	—	—
122	3.14	4.48	—	—	1.62	3.40	—	—
124	2.13	3.48	—	—	2.61	4.42	—	—
126	1.28	2.59	—	—	4.12	5.53	—	—
128	0.57	2.15	—	—	5.41	7.09	—	—
130	0.33	1.44	—	—	7.17	8.38	—	—

Estimated volume total, Calls 965, Puts 310
Previous day's open int. Calls 5,778, Puts 2,316

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
86	6.03	—	—	—	1.31	—	—	—
88	4.47	—	—	—	2.11	—	—	—
90	3.40	—	—	—	3.04	—	—	—
92	2.45	—	—	—	4.09	—	—	—
94	1.62	—	—	—	5.28	—	—	—
96	1.25	—	—	—	6.53	—	—	—
98	0.61	—	—	—	8.25	—	—	—
100	0.41	—	—	—	10.05	—	—	—
102	0.27	—	—	—	11.55	—	—	—

Estimated volume total, Calls 293, Puts 119
Previous day's open int. Calls 760, Puts 289

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.45	4.12	4.74	5.68	6.13	0.46	1.35	[illegible]	[illegible]
1.50	1.14	2.03	3.14	3.66	2.46	3.64	[illegible]	[illegible]
1.55	0.15	0.65	1.52	2.00	5.49	7.26	[illegible]	[illegible]
1.60	0.01	0.18	0.66	1.00	11.35	11.77	12.62	13.22

Estimated volume total, Calls 0, Puts 40
Previous day's open int. Calls 3,994, Puts 570

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	0.25
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	0.50
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.00	1.40
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.60	3.20
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	5.70
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.40	9.10
1.60	0.05	0.25	0.70	0.95	11.90	12.00	12.60	13.10

Previous day's open int. Calls 5,215, Puts 4,366
Volume, 11,532

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike price	Calls—Last June	July	Aug	Sept	Puts—Last June	July	Aug	Sept
1.30	18.50	—	—	18.50	—	—	—	0.15
1.35	13.50	13.50	—	13.50	—	0.05	—	0.55
1.40	8.50	9.50	—	9.00	—	0.30	—	1.35
1.45	3.70	4.45	5.15	5.60	0.20	1.25	2.20	2.90
1.50	0.75	1.90	2.75	3.20	2.10	3.35	4.80	5.20
1.55	0.05	0.80	1.25	1.75	6.20	7.00	8.00	8.50
1.60	—	0.15	0.50	—	21.00	11.40	12.10	—

Previous day's open int. Calls 41,105, Puts 44,023
Previous day's volume, Calls 1,104, Puts 1,958

LIFFE—EURODOLLAR OPTIONS

$1m points of 100%

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
91.00	1.87	1.67	—	—	0.00	0.01	—	—
91.50	1.37	1.20	1.17	—	0.00	0.04	0.19	—
92.00	0.87	0.77	0.80	—	0.00	0.11	0.32	—
92.50	0.38	0.42	0.50	—	0.01	0.26	0.52	—
93.00	0.05	0.18	0.28	—	0.18	0.52	0.80	—
93.50	0.00	0.06	0.13	—	0.63	0.90	1.15	—
94.00	0.00	0.01	0.05	—	1.13	1.35	1.57	—

Previous day's open int. Calls 4,172, Puts 3,182
Volume, —

CHICAGO

US TREASURY BONDS (CBT)

8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	93-11	94-08	93-11	93-14
Sept	92-18	93-16	92-17	92-20
Dec	91-26	92-22	91-26	91-27
March	91-09	91-22	91-08	91-03
June	90-20	90-31	90-20	90-12
Sept	89-27	90-10	89-27	89-23
Dec	89-10	89-10	89-10	89-04
March	—	—	—	88-19
June	—	—	—	88-03
Dec	—	—	—	87-09

US TREASURY BILLS (IMM)

$1m points of 100%

	Latest	High	Low	Prev
June	93.57	93.62	93.56	93.61
Sept	93.62	93.70	93.61	93.64
Dec	93.53	93.62	93.53	93.55
March	93.33	93.42	93.33	93.35
June	93.08	93.16	93.08	93.08
Sept	92.80	92.86	92.80	92.80
Dec	92.55	92.61	92.55	92.55
March	92.30	92.35	92.30	92.31

CERT. DEPOSIT (IMM)

$1m points of 100%

	Latest	High	Low	Prev
June	—	—	—	93.22
Sept	—	—	—	93.10
Dec	—	—	—	92.88
March	—	—	—	—

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Latest	High	Low	Prev
June	92.90	92.95	92.89	92.92
Sept	92.75	92.84	92.74	92.77
Dec	92.57	92.67	92.56	92.58
March	92.32	92.42	92.32	92.32
June	92.00	92.09	92.00	91.99
Sept	91.71	91.77	91.70	91.68
Dec	91.43	91.48	91.40	91.40
March	91.16	91.21	91.15	91.14

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

	Close	High	Low	Prev
June	123-03	123-24	123-00	123-04
Sept	123-08	124-05	123-02	123-09
Dec	123-03	123-17	123-17	123-11
March	123-03	—	—	123-11

Estimated volume 13,018 (7,221)
Previous day's open int. 12,222 (13,847)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT

£100,000 64ths of 100%

	Close	High	Low	Prev
June	102-57	102-63	102-56	102-54
Sept	103-02	103-06	103-02	102-63

Estimated volume 356 (414)
Previous day's open int. 1,418 (1,409)

THREE-MONTH STERLING

£500,000 points of 100%

	Close	High	Low	Prev
June	90.31	90.39	90.30	90.29
Sept	90.90	91.01	90.87	90.90
Dec	91.03	91.14	91.00	91.05
March	91.00	91.11	91.06	91.03
June	90.91	—	—	90.93

Estimated volume 4,885 (2,984)
Previous day's open int. 17,369 (17,476)

FT-SE 100 INDEX

£25 per full index point

	Close	High	Low	Prev
June	159.55	160.40	159.50	160.10
Sept	161.95	162.80	162.05	162.50
Dec	164.45	—	—	160.00

Estimated volume 39 (377)
Previous day's open int. 2,226 (2,272)

THREE-MONTH EURODOLLAR

$1m points of 100%

	Close	High	Low	Prev
June	92.87	92.94	92.83	92.88
Sept	92.66	92.84	92.65	92.71
Dec	92.48	92.67	92.48	92.53
March	92.24	92.44	92.34	92.58
June	91.92	92.08	92.08	91.96
Sept	91.63	—	—	91.67
Dec	91.37	—	—	91.41

Estimated volume 5,765 (6,423)
Previous day's open int. 21,438 (21,350)

US TREASURY BONDS

8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	91-03	93-30	92-15	91-28
Sept	90-18	93-14	90-16	91-09
Dec.	89-27	92-02	91-31	90-19

Estimated volume 9,209 (8,173)
Previous day's open int. 5,614 (5,405)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4835	1.4798	1.4741	1.4670	1.4570

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.4840	1.4890	1.4830	1.4900
Sept	1.4755	1.4800	1.4745	1.4845
Dec	1.4670	1.4720	1.4670	1.4740
March	—	—	—	1.4660

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.4866	1.4938	1.4919	1.4935
Sept	1.4778	1.4863	1.4860	1.4849
Dec	1.4708	—	—	1.4783

Estimated volume 43 (311)
Previous day's open int. 2,078 (1,929)

STERLING INDEX

	June 4	Previous
8.30 am	76.0	76.1
9.00 am	76.0	76.1
10.00 am	75.9	76.2
11.00 am	75.8	76.1
Noon	75.7	76.1
1.00 pm	75.7	76.1
2.00 pm	75.7	76.3
3.00 pm	75.7	76.1
4.00 pm	75.7	76.1

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.9389	+0.60	+0.64	±1.5388
Danish Krone	7.91896	7.95360	+0.44	+0.48	±1.6406
German D-mark	2.13834	2.15173	+0.63	+0.67	±1.1202
French Franc	6.96280	6.85146	−1.60	−1.56	±1.3701
Dutch Guilder	2.40935	2.42064	+0.47	+0.51	±1.5061
Irish Punt	0.712956	0.707666	−0.74	−0.70	±1.6669
Italian Lira	1496.21	1474.49	−1.46	−1.45	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

UK rates continue to ease

UK interest rates continued to fall in London yesterday amid growing speculation that clearing bank base rates would be reduced *from their current level of 10* per cent. Three-month interbank money slipped to 9⅛-9⅞ per cent from 9¾-9⅞ per cent. *Overnight money opened at 10½*-10¾ per cent and touched a high of 11 per cent before finishing at 7 per cent.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up *of Treasury bills* together draining £233m and the unwinding of previous sale and repurchase agreement a further £346m. In addition there was a rise in the note circulation of £95m and banks brought forward balances £30m below target. These were partly offset by Exchequer transactions which added £290m. The Bank gave *assistance* in the morning of £80m through outright purchases of eligible bank bills in band 1 at 9⅞ per cent.

The forecast was revised to a shortage of around £550m before taking into account the earlier help and the Bank provided additional assistance in the afternoon of £167m through outright purchases of £1m of local authority bills and £16m of eligible bank bills in band 1 at 9⅞ per cent and £150m of eligible bank bills in band 2 at 9⅞ per cent. Late assistance came to £190m, making a total *of £437m.*

In Frankfurt call money was quoted at 4.4-4.5 per cent, down from 4.5-4.6 per cent on Tuesday. Short term liquidity was in good supply following the latest sale and repurchase agreements organised by the Bundesbank. Commercial banks received DM 15bn yesterday, more than offsetting a maturing agrement worth DM 11.9bn. However, funds are likely to be in shorter supply as the month wears on as banks are faced with handing lar meeting of the Bundesbank over very large commercial tax payments. Today sees the regular central council but dealers are not expecting any change in the discount or Lombard rate.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

Prime rate	8½
Broker loan rate	7½
Fed funds	7³⁄₁₆
Fed funds at intervention	7³⁄₁₆
Treasury Bills & Bonds	
One month	6.08
Two month	6.28
Three month	6.71
Six month	6.87
One year	7.08
Two year	7.59
Three year	7.87
Four year	8.13
Five year	8.17
Seven year	8.26
10 year	8.36
30 year	7.91

FT LONDON INTERBANK FIXING

(11.00 a.m. June 4) Three months US dollars		Six months US dollars	
bid 7 ⅛	Offer 7 ⅛	bid 7 ⅛	Offer 7 ¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 4	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	7-11	10⅛-10⅛	9⅞-10	9⅛-9⅞	9⅛-9⅝	9⅝-9⅞
Sterling CDs	—	—	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
Local Authority Depos	10¼-10½	10-10¼	9⅞-10	9⅞-9⅝	9½	9⅝
Local Authority Bonds	—	—	10¼	10	9⅞	9½
Discount Mkt Depos.	8-10¾	10-10⅛	9¾	9⅝	—	—
Company Depos.	10⅛	10¼-10⅛	10-10⅛	9¾	—	—
Finance House Depos	—	—	10	9¾	9⅝	9½
Treasury Bills (Buy)	—	—	9⅝	9¼	—	—
Bank Bills (Buy)	—	—	9⅝	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10¼	9⅞	9⅞	—
Dollar CDs	—	—	6.85-6.90	6.85-6.90	6.95-7.00	7.10-7.15
SDR Linked Depos	—	—	6⅞-6⅞	6⅞-6⅞	6⅛-6⅜	6⅞-6⅞
ECU Depos	—	—	7⅞-7⅞	7¼-7⅜	7¼-7⅜	7¼-7⅜

Treasury Bills (sell): one-month 9³⁄₃₂ per cent; three months 9⅝₂ per cent. Bank Bills (sell): one-month 9³⁄₁₆ per cent; three months 9⅞₂ per cent. Treasury Bills: Average tender rate at discount 9.4860 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1 1986. Bank Deposit Rate for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9¼ per cent from May 30. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 8¼ per cent.

MONEY RATES

June 4	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'tin
Frankfurt	4.40-4.50	4.50-4.65	4.55-4.70	4.55-4.70	4.55-4.70	5.5
Paris	7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7¼
Zurich	⅞-1⅛	4½-4⅞	—	4¾-4⅞	—	—
Amsterdam	6⅛-6⅜	6⅛-6⅜	—	6⅛-6¼	—	—
Tokyo	4.59375	4.65625	—	4.65625	—	—
Milan	12-12⅜	12-12⅜	—	11¾-12¼	—	—
Brussels	3.35	7¼-7⅜	—	7¼-7⅜	—	—
Dublin	9¾-9⅞	10⅛-10⅜	10-10¼	9⅞-10⅛	9⅝-9⅞	—

Company Notices

BABCOCK NEDERLAND B.V.

TO HOLDERS OF US$35,000,000 7¾% CONVERTIBLE GUARANTEED BONDS DUE 1992
Guaranteed by Babcock International plc

Pursuant to the provisions of Condition 5 (2) of the terms and conditions of the above-named Bonds, you are hereby notified as follows:

At the annual general meeting of Babcock International plc held on 23rd May 1986, it was resolved to make a capitalisation issue of ordinary shares credited as fully paid to ordinary shareholders on the register at the close of business on 25th April 1986 at the rate of one share for each ten shares held. As a result of th capitalisation issue the conversion price of the Bonds, in accordance with Condition 5 (2) (iv) of the terms and conditions of the Bonds, has ben adjusted with effect from 25th April 1986, from 113p to 103p per share.

Dated this 2nd day of June 1986
Babcock International plc.
Cleveland House,
St. James's Square,
London.

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 01 02154 06

Preference Dividend No. 76

On June 4, 1986, Dividend No. 76 of three per cent for the six months ending June 30, 1986, was declared payable on Friday, August 15, 1986, to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on Friday, June 27, 1986, and to persons presenting coupon No. 77 detached from stock warrants to bearer. A notice regarding payment of the dividend on coupon No. 77 detached from stock warrants to bearer will be published in the Press by the London secretaries of the company on or about Friday, June 13, 1986.

The preference stock transfer registers and registers of stockholders will be closed from Saturday, June 28, 1986, to Saturday, July 12, 1986, both days inclusive and warrants dated Friday, August 15, 1986, will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Friday, August 8, 1986. Registered preference stockholders paid from the United Kingdom will receive the United Kingdom currency equivalent on Monday, June 30, 1986 of the rand value of their dividends (less appropriate taxes). Any such preference stockholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries on or before Friday, June 27, 1986.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the Johannesburg and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. W. KETLEY
Divisional Secretary

Head Office: 44 Main Street, Johannesburg 2001
London Office: 40 Holborn Viaduct, London EC1P 1AJ
June 5, 1986

Personal

Travel

Clubs

Legal Notice

No. 002748 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
ELECTRON HOUSE PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 12th May 1986 confirming the cancellation of the Share Premium Account of the above-named Company of £3,414,348 was registered by the Registrar of Companies on 28th May 1986.

Dated this 3rd day of June 1986.
BERWIN LEIGHTON of
Adelaide House
London Bridge
London EC4R 9HA
(Ref: IL)
Solicitors for the above-named Company

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99¾	98¼	Treas 8¼pc 1984-86‡‡	99¾xd		8.51	9.84
102	100¼	Exch. 14pc 1986	101	+	13.76	9.36
98	94⅞	Exch 2½pc 1986	98	+	2.53	5.65
102	100¼	Exch. 13¼pc 1987	102		12.95	9.32
100	97	Treas 10¼pcCv '87	100	+	10.18	9.17
97	92	Exch 2½pc 1987	97		2.57	6.34
101	97½	Exch. 10½pc 1987	103	+	10.38	9.06
98	93	Funding 6½pc '85-87‡‡	98	+	6.60	8.30
101	96	Treas. 10pc 1987	101xd	+	9.90	8.96
96	90	Treas 3pc 1987	96	+	3.09	6.08
104	99	Treas. 12pc 1987	103	+	11.54	8.91
99	92	Treas 7¾pc 1985-88‡‡	99	+	7.81	8.31
104	96	Exch 10½pc '88	103	+	10.18	8.76
107	95	Treas 9¾pc Cv '88	103xd	+	9.58	8.83
94	86	Transport 3pc '78-88	94xd		3.18	6.00
102	93	Treas. 9½pc '88	101	+	9.38	8.90
107	98	Treas 11½pc 1989	106	+	10.82	8.84
103	93	Treas 9½pc Cnv. '89	101	+	9.33	8.75
92	82	Treas 3pc 1989	91		3.26	6.05
105	95	Treas 10½pc 1989	104xd		10.07	8.84
104	94	Exch 10pc 1989	103	+	9.71	8.89
107	97	Exch 11pc 1989	106	+	10.37	8.82
93	84	Treas 5pc 1986-89	93		5.36	7.29
110	94	Exch 10¼pcCv '89	107	+	9.53	7.65
114	103	Treas 13pc 1990‡‡	112	+	11.53	8.79
108	97	Exch 11pc 1990‡‡	106	+	10.30	8.66
113	101	Exch. 12½pc 1990	111	+	11.19	8.78
89	79	Treas. 3pc 1990	89	+	3.34	5.96
100	89	Treas 8¼pc 1987-90‡‡	99xd	+	8.29	8.41
106	93	Treas. 10pcCv 1990	104	+	9.56	8.70
86	76	Exch 2½pc 1990	86	+	2.90	6.11
112	99	Treas 11¾pc 1991	111	+	10.59	8.78
94	83	Funding 5¾pc '87-91‡‡	94	-	6.11	7.20
86	86	Treas. 3pc 1991●	86	+	3.48	6.33
		Five to Fifteen Years				
110	96	Exch 11pc 1991	109		10.06	8.77
118	103	Treas 12¾pc 1992‡‡	116		10.93	8.90

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

80	45	♦Colby Res Corp.	55	−10	—	—	—	
300	175	Cons. Murch. 10c	175		Q80c	3.9	‡	
34	28	♦Ennex Int. Ir10p	33		—	—	—	
101	70	Greenwich Res	90	−3	—	—	—	
148	93	Hampton Areas 10p	148	+3	♦3.75	0.9	3.4	
247	165	♦Highwood Res	247	+5	—	—	—	
£19¼	£13¾	Homestake Mining $1	£15¼	+¼	Q20c	—	0.9	
310	180	♦McFinley Red Lake	185	−5	—	—	—	
285	195	♦Musto Explorations	200		—	—	—	
51	35	♦New Sabina Res C$1	35	−2	—	—	—	
260	210	Northgate C$1	215		—	—	—	
790	513	RTZ	648	−5	22.0	2.8	4.8	
£164	£115	Do. 9⅝pcLn'95-2000	£140		Q9½%	15.5	(7.0)	
950	800	♦Tara Expln $1	875		—	—	—	

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ß No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	120	−2	Fin. 13% 97/02	£123¾	...
Craig & Rose £1	£13	...	Arnotts	325	...
Finlay Pkg. 5p	45	...	CPI Hldgs	58	...
Holt (Jos) 25p	810xd	...	Carroll Inds.	172	...
IoM Stm. £1	87	...	Dublin Gas	53	...
			Hall (R. & H.)	75	−2
IRISH			Heiton Hldgs.	29	+1
Fund 11¼% 1988	£103¾		Irish Ropes	105	+5
Nat. 9¾% 84/89	£101		Unidare	192	+2

"Recent Issues" and "Rights" Page 42
(International Edition Page 38)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
May 12	May 29	May 30	June 9
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

Markets shrug off effects of further fund-raising moves

Fresh funding operations failed to unnerve either bond or share markets in London yesterday. The counter-attraction of the Epsom Derby obviously restrained both attendance and business but investment interest was sufficient to lift Government securities from recent low levels and promote underlying firmness to leading shares.

Interest rate optimism continued to support market sentiment, and the other feature of the day was confirmation of the widely-rumoured deal between Dee Corporation and Associated British Foods. Dee has acquired the Fine Fare and Shoppers Paradise chains of AB Foods via a share exchange agreement. This involved a large placing of 147.5m shares on a partly-paid basis which was effected within a few hours.

Investors' cash resources were also tapped by Hanson Trust which placed a short 10m shares on behalf of their managers with various UK and US institutions. Few funds were thus available for investment in other blue chip issues with the notable exception Reed International. Excellent annual profits coupled with a proposal to sub-divide the shares aroused considerable activity and Reed closed 78 up at 922p.

Other price movements were minimal and the FT-SE 100 share index, after being 4.3 down just before 10 am, ended a mere 0.8 off at 1,601.4. The FT Ordinary share index settled 0.2 up at 1,320.6.

Wall Street's last-minute surge on Tuesday failed to impress equity investors but the bounce in the bond market there gave encouragement to potential Gilt-edged buyers. Longer maturities rebounded ¼ before the upturn faded with sterling, which closed a shade easier against the dollar, and few stocks closed more than ¼ up on the session.

Expectations of a half-point cut in bank base rates to 9½ per cent either this or next week ensured stability among the shorts, although trade was light. Business also contracted in the index-linked sector and occasional profit-taking checked the recent upturn.

Barclays down again

A profits downgrading of Barclays by stockbrokers de Zoete and Bevan, which came hard on the heels of a significant downward revision by Rowe and Pitman, prompted renewed weakness in Barclays and deterred interest in the other clearers. Barclays closed 5 lower at 482p, as did NatWest at 745p, while Lloyds, 542p, and Midland, 522p, cheapened 3 apiece.

The postponement of the 4 per cent cement price increase which was ue to be implemented in July continued to depress Blue Circle which shed 15 for a two-day loss of 30 to 645p. Elsewhere in the Building sector, BPB Industries slipped 8 to 492p and Redland softened 3 to 432p. Robert M. Douglas attracted fresh speculative demand and gained 8 to 115p, while Turriff Corporation rose 7 more to 182p in a restricted market. Gleeson hardened 5 to 368p, but recently-firm Federated Housing encoutered profit-taking and gave up 8 to 148p.

Mail orders rally

The settlement of the national postal dispute gave a much-needed boost to recently depressed Mail orders. Quotations finished below the day's best, but rises still extended into double-figures. Freemans advanced 16 to 394p, after 398p, while Grattan, the subject of a bullish circular from brokers de Zoete and Bevan, touched 406p before closing 10 higher on balance at 402p. Empire, additionally buoyed by the confident tenor of the chairman's statement at the annual meeting, rose 12 to 194p.

Leading Retailers held close to the overnight levels in extremely thin trading. Woolworth hardened 10 to 855p awaiting fresh moves in the Dixons bid situation; the latter firmed a couple of pence to 350p. Elsewhere, Gallaher's surprise bid for NSS Newsagents again prompted support for Alfred Preedy which improved 12 more to 122p. In contrast, sellers held sway in *John Menzies, finally 7 cheaper* at 303p. Revived speculative demand lifted Executex Clothes 14 to 110p and Etam 8 to 222p, while renewed interest in a relatively narrow market lifted T & S Stores 10 to 225p. Hopes of an imminent statement concerning the bid approaches saw Martin Ford 5 up at 80p, a two-day advance of 11.

Rotaflex touched a new peak of 390p early in the session on hopes of an increased offer from Emess Lighting or counter bid by MK, but then succumbed to profit-taking to end 7 lower on balance at 378p. Elsewhere in Electricals, Process Systems remained a depressed market in the wake of the Board's profits *warning and slipped 3 more to* a new low of 37p; the shares were trading around the 100p level a week ago. CASE came on offer at 87p, down 13, while Cambridge Instruments relinquished 8 at 247p. Burgess Products, on the other hand, advanced 12 more to 226p following renewed speculative support and demand of a similar nature in a thin market left Microgen 43 higher at 390p, after 400p. Buying ahead of the forthcoming results helped Oxford Instrument rise 13 to 528p, after 533p, while revived takeover speculation prompted an improvement of 2 to 142p in STC, after 144p.

GKN met with late support and closed 8 dearer at 343p. Elsewhere in Engineerings, United Spring rose 5½ to 59½p following revived speculative buying and Hampson Industries moved up 3 to 38p for the same reason.

The Food sector provided many of the day's more interesting movements with the Dee Corporation / Associated British Foods Fine Fare deal stimulating a lively trade in Food Retailing issues. Following the successful vendor share placing to finance the Fine Fare acquisition from AB Foods, Dee Corporation closed 7 lower at 245p, after 240p; AB Foods *encountered profit-taking* and closed 12 down at 334p. Other major Food Retailers gave ground initially on competition fears before rallying on bear closing. J. Sainsbury finished 4 off at 354p, after 348p, and Tesco eased 6 to 352p, after 348p. Argyll shed 10 to 330p and Asda-MFI 4 to 146p. Elsewhere, Cadbury Schweppes, which on Monday made a vendor placing to partly finance the purchase of Canada Dry from Nabisco, gained 9 to 169p on aggressive US buying. Ranks Hovis McDougall continued to reflect Berisford stake sale hopes and rose 6 more to 222p: Northern Foods, 4 dearer at 282p, were being mentioned yesterday as *possible buyers.*

Hestair wanted

Speculative buying fuelled by talk of a possible 220p per share bid from Blue Arrow lifted Hestair 18 to 198p among secondary miscellaneous industrials. *Longton Industrial, a rising* market of late on takeover speculation, touched 220p before closing 5 better on balance at 215p following after-hours' details of the share exchange bid by Thomsen T-Line, 7 to the good at 212p, after 215p. Pearson continued to reflect US bid hopes with a fresh improvement of 8 at 480p, while speculative improvements of 6 and 8 respectively were seen in Unigroup, 112p, and Plastic Construction, 89p. William Baird jumped 35 in a restricted market to 515p and Evode firmed 6 to 124p; the latter with the help of call option business. Anglo Nordic touched 29p before closing a penny dearer on balance at 26p *and Bullers put on 3 at 49p.* Infra Red gained 7 at 82p and Fitzwilton appreciated 5 at 56p. De La Rue advanced ½ to £10½ after comment on the preliminary figures, while Spong hardened a fraction to 26p on asset injection hopes. Among the leaders, Hanson Trust lost 5 to 178p in the wake of a sizable management shareplacing, but Beecham closed that much higher at 393p following the sale of a subsidiary to Northern Foods for £12.5m.

Among Leisure issues, Brent Walker attracted support on rumours of a broker's circular and rose 8 to 167p, while USM-quoted Sangers Photographic gained a like amount to 112p. WSL firmed 5 to 195p on expansion hopes.

Jaguar returned to favour and attained a new peak of 503p—a rise of 10 on the day. Elsewhere, in Motors, Caffyns attracted revived support ahead of next Thursday's preliminary results and put on 6 more to 218p. Appleyard also met buyers and rose 8 to 135p.

Advertising agencies took Tuesday's recovery a stage further. Valin Pollen touched 205p before settling 20 higher on balance at 195p in response to the increased interim profits, dividend and the chairman's confident statement. Dealings in Wight Collins Rutherford Scott were suspended at 468p, a rise of 3 on the session; the company had earlier confirmed the acquisition of FCO, a London-based consumer agency. Paper/printings also attracted occasional support with DRG, down to 270p earlier, closing a net 2 to the good at 276p. David S. Smith put on 7 more to 240p as investors continued to express interest in the wake of the acquisition of St Regis.

Occasional buying interest was forthcoming for Property leaders. Hammerson A rose 10 to 450p and Peachey hardened a couple of pence to 265p. Elsewhere, Mountleigh, which on Tuesday announced the acquisition of a portfolio of properties for £57.8m, rose 55 to 900p, but Regalian encountered scrappy selling and shed 20 to 535p; the latter's annual results are due next Wednesday. Stockley traded firmly ahead of Friday's official opening of the Stockley Park development and closed 3 dearer at 87p, while similar gains were seen in Egerton Trust at 95p and Phoenix Property at 89p. Frogmore Estates found support at 194p, up 6, while Percy Bilton rallied a couple of pence to 280p. Firm on Tuesday following bid news, Samuel Properties eased 7 to 263p and Clayform gave up 5 to 275p. Country Gentlemen's Association were quoted at £23 basis, down 1½, pending further developments in the battle for control of the company between Fredericks Place and Bestwood.

Interest in Textiles centred on selected secondary counters. Atkins Bros hardened 5 more to 175p on buying ahead of next Tuesday's preliminary results. Support was also evident for *Hicking Pentecost, also due to* reveal full-year figures shortly and 6 dearer at 41p.

R. Dutch firm

A fresh slide in oil prices following bearish US stocks data had little impact on the leading oils which generally marked time throughout the session. Royal Dutch were an exception and put on almost a point to £52¼ following sustained buying interest from the Continent. Movements in the second-liners were *minimal but* Charterhall continued to attract good support following Westmex's recent moves to gain control and put on 3 more to 32p. Great Western Resources added a similar amount to 73p while speculative demand lifted Warrior Resources 6 more to 34p.

The recent rally in South African Golds gathered pace during morning trading when renewed bear closing took share prices sharply higher. However, a late decline in the Financial Rand triggered sustained selling of most South African issues from the majority of international dealing centres and prices ran back to close well below the day's best levels.

Financials and Platinums mirrored the performance of Golds. Anglo American Corporation edged up 5 to 725p on further consideration of the record preliminary profits announced on Monday, while "Amgold" advanced £1¾ more to £40½. De Beers hardened 4 to 417p, while in Platinums, Rustenburg jumped 35 to 560p and Impala added 22 at 540p. Lydenburg moved up 37 to 475p.

In the UK-domiciled issues, lack of interest left Rio Tinto-Zinc 5 cheaper at 648p and Consolidated Gold Fields a couple of pence off at 443p. Hampton Areas, on the other hand, rose 3 more to a 1986 high of 148p reflecting hopes of a bid battle developing between the Alan Bond-controlled Metals Exploration, currently bidding 130p a share for Hampton Areas, and Mr Ron Brierley's IEP Securities which recently announced a holding of around 5 per cent in the UK-based company. Geevor Tin rallied 4 to 29p on news that the company had postponed a decision to close the mine for good and appointed Mr Edward Nassar to the board; Mr Nassar acquired RTZ's 18.8 per cent stake in Geevor a couple of months ago.

Golds were outstanding in a generally firmer Australian mining sector, reflecting rumours that the Federal Government has abandoned plans to impose a tax on gold mining earnings. Central Norseman put on 7 to 347p and Sons of Gwalia rose 6 to 187p. Gold Mines of Kalgoorlie added 4 at 32p — with the "new" shares 3 up at 7p — and ACM hardened a couple of *pence to 88p.*

FINANCIAL TIMES STOCK INDICES

	June 4	June 3	June 2	May 30	May 29	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	91.81	91.79	91.73	91.60	92.24	81.86	90.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.94	96.94	96.92	96.89	97.15	86.30	97.51 (22/4/86)	86.55 (23/1/86)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1320.6	1320.4	1316.4	1321.2	1326.8	1017.1	1425.9 (3/4/86)	1094.3 (14/1/86)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	224.4	215.9	215.5	215.1	222.2	444.3	357.0 (27/1/86)	215.1 (30/5/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.20	4.20	4.20	4.19	4.16	4.56				
Earnings Yld.% (full)	10.38	10.38	10.40	10.38	10.31	11.43				
P/E Ratio (net) (*)	11.79	11.79	11.76	11.79	11.86	10.68				
Total Bargains (Est)	24,571	23,660	25,898	29,256	27,256	22,878				
Equity Turnover £m.	—	494.98	745.64	707.24	831.29	351.90				
Equity Bargains	—	22,252	23,747	28,054	26,201	18,213				
Shares Traded (ml)	—	241.2	359.5	335.4	445.4	223.2				

S.E. ACTIVITY

Indices	June 3	June 2
Gilt Edged Bargains	139.3	126.5
Equity Bargains	144.2	153.9
Equity Value	1000.5	1507.1
5-Day Average		
Gilt Edged Bargains	133.4	130.7
Equity Bargains	159.8	198.2
Equity Value	1428.8	1395.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1318.8	1317.1	1317.5	1317.3	1317.7	1317.8	1318.8	1319.9

Day's High 1321.6. Day's Low 1316.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.38.

LONDON REPORT AND LATEST SHARE INDEX. TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Weds June 4 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Tues June 3 Index No.	Mon June 2 Index No.	Fri May 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	724.87	−0.3	8.29	3.38	15.37	7.81	726.98	724.57	725.54	551.13
2	Building Materials (26)	794.97	−0.8	8.57	3.54	14.78	8.86	801.08	803.35	806.06	536.64
3	Contracting, Construction (29)	1191.54	−0.2	8.11	4.01	16.88	18.56	1193.57	1188.98	1189.71	783.84
4	Electricals (12)	1944.57	+0.2	7.55	3.89	17.59	30.53	1939.99	1941.97	1924.87	1532.54
5	Electronics (38)	1677.88	−0.7	8.85	2.75	14.98	9.80	1689.69	1674.49	1672.38	1531.17
6	Mechanical Engineering (64)	411.57	−0.2	9.26	3.86	13.69	5.94	412.24	410.88	411.37	314.92
8	Metals and Metal Forming (7)	349.65	−0.1	7.35	4.84	17.67	4.35	349.86	349.83	350.46	202.50
9	Motors (16)	294.80	+0.8	8.97	3.27	12.98	3.60	292.39	292.58	293.53	171.02
10	Other Industrial Materials (22)	1311.89	—	6.31	3.04	19.05	13.80	1311.77	1307.66	1313.21	1004.87
21	CONSUMER GROUP (183)	903.64	—	7.87	3.18	15.94	10.04	903.15	897.93	899.26	683.36
22	Brewers and Distillers (22)	914.57	+0.1	9.43	3.50	12.87	9.91	913.54	910.00	917.43	614.91
25	Food Manufacturing (22)	664.71	−0.1	9.39	3.89	13.86	9.72	665.32	661.42	658.58	510.40
26	Food Retailing (15)	1783.53	−1.8	7.18	2.73	18.91	13.07	1816.83	1813.85	1819.47	1662.70
27	Health and Household Products (10)	1524.46	+0.4	5.52	2.21	21.34	6.52	1517.66	1516.70	1517.74	1124.51
29	Leisure (25)	879.44	—	7.96	4.00	16.35	14.01	879.41	873.87	873.84	702.75
32	Publishing & Printing (14)	2458.54	+3.1	6.83	3.98	18.69	28.02	2384.80	2376.86	2369.02	1825.11
33	Packaging and Paper (14)	457.33	—	7.31	3.43	17.13	4.64	457.08	454.34	455.62	334.71
34	Stores (42)	879.54	+0.1	6.60	2.68	20.67	9.17	879.00	872.19	875.74	660.85
35	Textiles (17)	535.86	+0.2	9.39	3.54	12.23	7.95	534.68	532.61	537.04	334.02
36	Tobaccos (2)	1090.32	—	13.07	4.47	8.57	20.60	1090.32	1063.49	1050.28	870.41
41	OTHER GROUPS (86)	790.68	−0.2	8.44	3.76	15.18	6.70	791.94	790.58	791.15	720.65
42	Chemicals (19)	877.88	+0.4	10.44	4.63	11.61	17.24	874.54	874.99	874.17	776.82
44	Office Equipment (4)	265.39	−0.3	7.36	3.83	16.43	4.59	266.18	267.65	269.83	185.85
45	Shipping and Transport (12)	1524.74	−0.4	8.41	4.08	15.03	24.95	1530.77	1524.31	1536.82	1150.68
47	Telephone Networks (2)	894.45	—	9.21	3.61	14.88	0.93	893.91	892.58	898.07	895.85
48	Miscellaneous (49)	1038.94	−0.7	6.21	3.23	19.84	7.13	1046.58	1042.76	1035.05	985.54
49	INDUSTRIAL GROUP (483)	839.45	−0.1	8.12	3.37	15.60	8.71	840.19	836.70	837.75	666.38
51	Oil & Gas (17)	1216.32	+0.2	16.79	7.41	7.11	40.56	1214.09	1200.94	1200.10	1158.18
59	500 SHARE INDEX (500)	872.82	—	9.05	3.80	13.83	13.21	873.33	869.08	869.99	707.87
61	FINANCIAL GROUP (116)	579.82	−0.1	—	4.52	—	10.46	580.34	582.09	587.15	477.46
62	Banks (7)	609.54	−0.6	19.22	5.57	7.22	14.03	613.47	615.60	624.64	475.56
65	Insurance (Life) (9)	795.42	−0.2	—	4.69	—	17.27	796.70	796.48	803.15	748.58
66	Insurance (Composite) (7)	467.33	−0.1	—	4.43	—	9.46	467.63	474.45	481.23	360.74
67	Insurance (Brokers) (8)	1156.89	+0.9	9.04	4.14	14.36	23.40	1146.29	1151.67	1153.54	1190.12
68	Merchant Banks (11)	345.72	—	—	3.17	—	1.94	345.70	344.56	344.81	229.78
69	Property (51)	764.33	+0.3	5.45	3.46	24.13	8.81	762.13	760.50	762.52	628.17
70	Other Financial (23)	345.52	+0.2	7.82	4.43	15.68	3.99	344.68	343.66	343.61	284.11
71	Investment Trusts (103)	748.58	+0.1	—	2.98	—	6.46	747.98	747.28	746.56	600.44
81	Mining Finance (3)	282.85	−0.6	12.69	5.66	9.19	6.11	283.85	285.65	283.94	284.62
91	Overseas Traders (14)	671.23	—	12.26	6.16	9.71	18.88	670.91	671.47	684.22	657.91
99	ALL-SHARE INDEX (736)	789.31	−0.1	—	3.92	—	10.78	789.80	787.18	788.92	644.21

	Index No.	Day's Change	Day's High	Day's Low	June 3	June 2	May 30	May 29	May 28	Year ago
FT-SE 100 SHARE INDEX ‡	1601.4	−0.8	1602.2	1597.9	1602.2	1596.5	1602.8	1609.0	1624.8	1335.9

FIXED INTEREST

	PRICE INDICES	Weds June 4	Day's change %	Tues June 3	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	124.28	+0.09	124.17	—	5.12
2	5-15 years	145.71	+0.09	145.58	—	4.58
3	Over 15 years	152.29	+0.13	152.09	—	5.67
4	Irredeemables	171.41	+0.34	170.83	—	6.30
5	All stocks	140.84	+0.10	140.70	—	5.01
	Index-Linked					
6	5 years	113.39	−0.07	113.47	—	0.81
7	Over 5 years	120.34	+0.03	120.30	—	1.21
8	All stocks	119.08	+0.02	119.06	—	1.14
9	Debentures & Loans	120.73	+0.23	120.45	—	5.47
10	Preference	89.00	−0.17	89.15	—	3.18

	AVERAGE GROSS REDEMPTION YIELDS		Weds June 4	Tues June 3	Year ago (approx.)
	British Government				
1	Low	5 years	7.56	7.55	10.31
2	Coupons	15 years	8.81	8.82	10.58
3		25 years	8.84	8.85	10.25
4	Medium	5 years	8.91	8.93	11.34
5	Coupons	15 years	9.18	9.19	10.86
6		25 years	9.19	9.21	10.43
7	High	5 years	9.05	9.07	11.43
8	Coupons	15 years	9.33	9.34	11.02
9		25 years	9.23	9.25	10.61
10	Irredeemables†		8.72	8.75	10.08
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.67	3.65	00
12	Inflat'n rate 5%	Over 5 yrs	3.28	3.28	00
13	Inflat'n rate 10%	5 yrs	2.52	2.48	00
14	Inflat'n rate 10%	Over 5 yrs	3.13	3.13	00
15	Debs &	5 years	10.21	10.25	11.88
16	Loans	15 years	10.17	10.21	11.69
17		25 years	10.14	10.16	11.49
18	Preference†		10.80	10.78	12.54

‡Opening index 1599.0; 10 am 1598.3; 11 am 1599.3; Noon 1599.5; 1 pm 1599.5; 2 pm 1600.4; 3 pm 1601.1; 3.30 pm 1601.6; 4 pm 1601.7.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Assoc. Brit. Foods	334	−12
Baird (Wm.)	515	+35
BP	580	—
Cadbury Schweppes	169	+ 9
Dee Corp.	245	− 7
Empire Stores	194	+12
Evode	124	+ 6
Hestair	198	+18
Lloyds Bank	542	− 3
Midland Bank	522	− 3
Reed Intl.	930	+86
Rugby Port. Cement	131	—

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tues. close	Day's change
Samuel Props	19	270	+17
Smith (D. S.)	19	233	—
Blue Circle	17	660	−15
Royal Insce	15	854	−22
Hanson Trust	13	183	− 2
Prudential	13	158pm	− 2
BAT Inds	12	390	+10
Body Shop	12	630	+30
GRE	12	833	− 7
ICI	12	920	—
APV	11	618	+18
NSS News	11	210	+28

EUROPEAN OPTIONS EXCHANGE

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

... on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by lastest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. ‡ Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. ¤ Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ⁑ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under 535 (4) (e) †† Official London listing.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 19	June 6	Aug 28	Sept 8
June 9	June 20	Sept 11	Sept 22
June 23	July 4	Sept 25	Oct 6

For rate indications see end of Unit Trust Service

Money was given for the call of Brown and Jackson, Dixons, WSL, Control Securities, Ecobric, Appleyard, Hanson Trust, S. W. Wood, Lee Cooper, Charterhall, Hall Engineering, Evode, Prestwich and Pineapple Dance Studios. Puts were transacted in Polly Peck, Hanson Trust and Charterhall. A double was taken out in BSG International.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	69	3	40
Corpns., Dom. & Foreign Bonds	27	2	42
Industrials	291	252	955
Financial & Props.	99	78	401
Oils	16	15	88
Plantations	—	1	14
Mines	67	25	89
Others	62	76	84
Totals	631	452	1,713

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (84)

BRITISH FUNDS (3), AMERICANS (2), CANADIANS (1), BANKS (1), BREWERS (1), BUILDINGS (5), CHEMICALS (2), STORES (4), ELECTRICALS (8), ENGINEERING (4), FOODS (2), HOTELS (1), INDUSTRIALS (18), LEISURE (1), MOTORS (4), PAPER (3), PROPERTY (7), TEXTILES (1), TRUSTS (12), OILS (4), MINES (2).

NEW LOWS (23)

CANADIANS (1) Imperial Oil, BUILDINGS (1) Lawrence (W.) 6.5pc ConvRedPf, ELECTRICALS (5) Electrocomponents, Godwin Warren, Norbain Elects, PPL, Process Systems, ENGINEERING (1) Thyssen, INDUSTRIALS (3) Appledore (A and P), Chemical Methods, Eastern Produce INSURANCE (1) Windsor Secs, LEISURE (4) Chrysalis, Hannimax, Media Tech, Samuelson, SHIPPING (1) Lyle Shipping, TRUSTS (2) Throgmorton USM Trust, Smith New Court, OILS (1) Moray Firth, MINES (3) Wit Nigel, Zandpan, Aquarius Expln.

LONDON TRADED OPTIONS

June 4. Total contracts 11,532. Calls 7,048. Puts 4,484

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

June 4	Price Sch.	+ or —
Credit'nst'lt pp.	2,210	+10
Goesser	3,400	—150
Interunfall	14,000	—450
Jungbunzlauer	18,000	—500
Laenderbank	2,200	......
Perlmooser	625	—5
Steyr Daimler	175	—2
Veitscher Mag	11,200	—500

BELGIUM/LUXEMBOURG

June 4	Price Frs.	+ or —
B.B.L.	3,075	—15
Banq. Gen. Lux.	15,600	......
Banq. Int.A.Lux.	16,800	......
Bekaert	11,900	—600
Ciment CBR	3,880	+65
Cockerill	145	+1
Delhaize	13,000	—100
EBES	4,380	—20
Electrobel	16,000	+400
Fabrique Nat.	2,350	—40
GB Inno BM	7,470	—130
GBL (Brux)	3,120	—10
Generale Bank	6,540	+20
Gevaert	6,090	+50
Hoboken	7,830	......
Intercom	3,500	—60
Kredietbank	16,975	—25
Pan Hldgs	11,150	......
Petrofina	7,910	+10
Royale Belge	23,750	+250
Soc. Gen. Belge	2,930	—20
Sofina	9,800	—100
Solvay	7,970	+140
Stanwick Intl	460	......
Tractionel	6,090	+180
UCB	7,300	—20
Wagons Lits	6,030	—20

DENMARK

June 4	Price Knr %	+ or —
Andelsbaken	352	+4
Baltica Skand	640	......
Cop Handelsb'nk	276	+5
D. Sukkerfab	395	+5
Danske Bank	325	+5
De Danske Luft	1,650	......
East Asiatic	225	+8
Forenede Brygg.	1,160	+20
Forenede Damp.	221	+1
GNT Hld	525xr	+10
I.S.S.B.	680	+10
Jyske Bank	575	+10
Novo Inds*	1,355	—50
Privatbanken	272	+5
Provinsbaken	525	+2
Smidth (F.L.) B	291	+1
Sophus Berend	905	+5
Superfos	269	+4

FRANCE

June 4	Price Frs.	+ or —
Emprunt 4½% 1973	1,576	—9
Emprunt 7% 1973	7,780	—80
Accor	390	—12
Air Liquide	745	—19
BIC	616	—9
Bongrain	1,780	—10
Bouygues	1,095	—55
BSN Gervais	3,420	—50
CIT Alcatel	2,185	+15
Carrefour	2,725xc	+5
Club Mediter'n	501	—4
Cie Bancaire	1,055	—45
Cofimeg	454	+6
Damart	1,890	—40
Darty	3,072	—28
Dumez S.A.	1,265	—6
Eaux (Cie Gen)	1,240	—40
Elf Aquitane	297	—12
Essilor	2,600	—90
Gen.Occidentale	935	—5
Imetal	72.1	—3.1
Lafarge Coppee	1,285	—16
L'Oreal	3,225	—60
Legrand	3,625	—46
Maisons Phenix	234	+1
Matra S.A.	1,960	—90
Michelin B	2,683	—127
Midi (Cie)	5,530	—260
Moet-Hennessy	2,230	—50
Moulinex	90.2	—0.4
Nord Est.	178	—10
Pernod Ricard	1,000	—35
Perrier	680	—35
Petroles Fra.	355	......
Peugeot S.A.	906	—34
Printemps (Au.)	533	—22
Radiotech	618	—22
Redoute	1,865	—45
Roussel-Uclaf	1,430	—45
Sefimeg	525	+23
Skis Rossignol	1,280	—50
Telemec Elect	3,060	—90
Thomson (CSF)	1,202	—24
Valeo	496.5	—11.5

GERMANY

June 4	Price Dm.	+ or —
AEG	313.5	—18.5
Allianz Vers	2,305	+25
BASF	274.5	+0.7
Bayer	294.7	+6.7
Bayer-Hypo	520	+5
Bayer-Verein	515	+5
BHF-Bank	489	—4
BMW	658	+4
Brown Boveri	301	—4.2
Commerzbank	302.5	+3.0
Cont'l. Gummi	243	+8
Daimler-Benz	1,310	+28
Degussa	443	+3.2
D'sche Babcock	188	—4
Deutsche Bank	779	+8
Dresdner Bank	404	+7
Feld-Muehle Nbl	296	+6
GHH	207.5	—3.5
Henkel	399	+14
Hochtief	920	—30
Hoechst	288.8xr	—13.2
Hoesch Werke	174.5	—4.5
Holzmann (P)	495	......
Horten	182	+2
Husel	485.0	+4.3
Karstadt	524	+6
Kaufhof	420	+16
KHD	249	+6
Kloeckner	89.8	—0.3
Linde	682	+2.0
Lufthansa	205	+10
MAN	182	......
Mannesmann	210.5	+0.7
Mercedes Hld	1,158	+18
Metallgesell	528	—7
Muench Rueck	2,800	—60
Nixdorf	575	+14
Porsche	1,050	+20
Preussag	179	+6.5
RheinWest Elect	226	+8
Rosenthal	335	—0.2
Schering	563	+4
Siemens	616	+11.3
Thyssen	156	+4
Varta	325	+3
Veba	280.0	+9.2
V.E.W.	161	+2
Verein-West	513	......
Volkswagen	537.5	—1.0

ITALY

June 4	Price Lira	+ or —
Banco Com'le.	28,390	—610
Bastogi-IRBS	829	—39
Centrale	3,930	—150
C.I.R.	15,300	—500
Credito Italiano	4,060	—90
Fiat	14,140	—490
Generali Assicur.	146,560	—6,650
Italcementi	72,380	—270
La Rinascente	1,210	—65
Montedison	3,335	—55
Olivetti	1,6599	—871
Pirelli Co	7,900	+10
Pirelli Spa	5,480	—190
Saipem	6,605	—295
Snia BPD	6,090	+195
Toro Assic	37,500	—2,500

NETHERLANDS

June 4	Price Fls	+ or —
ACF Holding	331.5	—5
AEGON	111.5	+0.3
Ahold	88.3	+4.2
AKZO	172.2	—0.1
ABN	583.0	—1.5
AMEV	82.7	+0.2
AMRO	110.4	+0.1
Bredero Cert	224.0	+3.0
Bos Kalis Westm.	15	+0.1
Buehrmann Tet.	180	—2
Calland Hlgs	19.3	+0.8
Dordtsche Pet'm	188.4	+2.9
Elsevier-NDU	219	......
Fokker	90.5	+1.3
Gist Brocades	292.5	+1.5
Heineken	173xc	—0.2
Hoogovens	114	+1.6
Hunter Doug NV	61.5	—0.9
Int. Mueller	76.3	+1.6
KLM	50.8	—0.4
KNP	147.5	—1
Naarden	60	+1
Nat Ned Cert	87	—0.1
Ned Mid Bank	215.5	—1
Nedlloyd	170	+7
Oce Grinten	510	—5
Ommeren (Van)	34.5	+0.7
Pakhoed	55.8	+1.9
Philips	56.1	—0.8
Robeco	93.6	—0.6
Rodamco	141	—0.7
Rolinco	86.4	—0.6
Rorento	50.1	—0.3
Royal Dutch	198.6	+2.4
Unilever	473.5	......
VMF Stork	298	—2
VNU	338	......
Wessanen	280.5	—1
West Utr Bank	60	......

NORWAY

June 4	Price Kroner	+ or —
Bergens Bank	154.5	+1
Borregaard	327.5	......
Christiana Bank	164	......
DenNorske Cred.	155	+2.5
Elkem	109	—1
Kosmos	154	—5.5
Kvaerner	133	—2
Norcem	96	+0.5
Norsk Data	221xc	......
Norsk Hydro	157.5	+0.5
Storebrand	246	+11

SPAIN

June 4	Price Pts %	+ or —
Bco Bilbao	909	......
Bco Central	645	+9
Bco Exterior	429	—20
Bco Hispano	416	—9
Bco Popular	1,035	—17
Bco Santander	664	......
Bco Vizcaya	1,310	......
Dragados	338.5	—17.5
Hidrola	129	—4.5
Iberduero	179	—5
Petroleos	375	—4.5
Telefonica	201	—4

SWEDEN

June 4	Price Kronor	+ or —
AGA	198	—2
Alfa-Laval B	370	+3
ASEA (Free)	362	+32
Astra (Free)	630	+25
Atlas Copco	225	—1
Cardo (Free)	306	......
Cellulosa	255	+6
Electrolux B	281	+2
Ericsson B	270	+5
Esselte	665	......
Mo och Domsjo	236	+6
Pharmacia	221	—2
Saab Scania Free	845	—2
Sandvik	890	—15
Skandia	512	+17
SKF	350	+7
Sonneson	190	......
Stora Kopparbrg	320	—5
Swedish Match	555	+6
Volvo B (Free)	430	—2

SWITZERLAND

June 4	Price Frs.	+ or —
Adia Intl.	6,480	—50
Alusuisse	720	......
Bank Leu	3,600	+50
Brown Boveri	1,835	—60
Ciba Geigy	3,530	—95
do. (Part Certs)	2,670	—10
Credit Suisse	3,730	—40
Elektrowatt	3,530	—20
Fischer (Geo.)	1,620	—30
Hoff-Roche PtCts	114,625	+125
Hoff-Roche 1/10	11,400	—75
Jacobs Suchard	7,800	—25
Jelmoli	3,475	—25
Landis & Gyr	1,860	—10
Nestle	8,300	—75
Oer-Buehrle	1,750	—60
Pirelli	460	—5
Sandoz (Br)	12,100	—150
Sandoz (Pt Cts)	1,725	—75
Schindler (PtCts)	800	......
Sika	1,600	......
Surveillance A	7,200	—40
Swissair	1,690	—20
Swiss Bank	552	—6
Swiss Reinsce	19,000	—400
Swiss Volksbk	2,450	—60
Union Bank	5,675	—25
Winterthur	6,225	—50
Zurich Ins.	7,900	—150

AUSTRALIA

June 4	Price Aust $	+ or —
ACI Intl.	3.68	—0.02
Adelaide Steams	12.7	—0.1
Amcor	3.45	—0.05
ANZ Group	5.36	—0.02
Ampol Pet	2.5	......
Ashton	1.62	—0.1
Aust. Guarantee	3.5	......
Aust. Nat. Inds	3.45	......
Bell Group	8.9	+0.2
Bell Res	4.2	—0.05
Bond Corp Hldgs	3.2xr	......
Boral	4.78	+0.02
Bougainville	2.7	......
Brambles Inds	6.86	—0.04
Bridge Oil	6.8xr	—0.01
B.H. Prop.	8.7	+0.06
Burns Philp	6.96	—0.04
CRA	6.5	—0.05
CSR	3.43	+0.08
Chase Corp.	8.2	......
Claremont Pet	0.80	......
Coles-Myer	5.72	+0.02
Comalco "A"	2.3	—0.1
Consolidated Pet	0.17	......
Costain Aust	2.20	......
Elders IXL	4.4	......
Energ Res	1.65	......

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

AUSTRALIA (continued)

JAPAN

HONG KONG

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO
Prices at 2.30pm June 4

MONTREAL
Closing prices June 3

NEW YORK

Indices

** Saturday May 31: Japan Nikkei 16,629.1. TSE 1302.16.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Montreal Portfolio 4/1/83. Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

TORONTO	June 4	June 3	June 2	May 30	1986 High	1986 Low
Metals & Minls	2,155.6*	2,172.4	2,174.8	1,282.20	2,442.85 (21/3/86)	2,025.3 (21/5/86)
Composite	3,004.1*	3,006.4	3,008.8	3,121.8	3,129.11 (18/4/86)	2,784.8 (17/2)
MONTREAL Portfolio	1,576.77*	1,586.16	1,591.36	1,596.47	1,623.33 (16/4/86)	1,386.6 (22/1)

* Indicates pre-close figure

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Conv; 10% 1996	£105¾	+¾
Brent Walker	167	+8
Burgess Prode	226	+12
Cad. Schwep.	169	+9
Douglas (Robt M)	115	+8
Empire Stores	194	+12
Executex Clothes	110	+14
Ford (M)	81	+6
Freemans	394	+18
GKN	343	+8
Hestair	198	+8
Jaguar	503	+10
Microgen	398	+43
Mountleigh	900	+55
Plastic Const	89	+8
Preedy (A)	122	+12
RHM	222	+6
Reed Intl	930	+86
Unigroup	112	+6
Utd Spring	59½	+5½
Valin Pollen	195	+20

FALLS		
Assoc Brit Foods	334	—12
Blue Circle	645	—15
Case	87	—13
Dee Corp	245	—7
Hanson Trust	178	—5

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	12	AAR s	.44	1.8	22	101	24⅞	24⅛	24⅛	−½
30	21¾	ADT	.92	3.3		161	27¾	27½	27½	−⅜
28⅞	11½	AFG s			18	306	28½	28	28¼	−¼
25⅜	12⅞	AGS			15	86	20¾	20⅝	20⅝	−⅛
60⅝	37½	AMR			12	4107	58⅜	57⅛	57⅝	
25¾	18⅝	AMR pf2.18		8.6		22	25⅜	25⅜	25⅜	
23½	19	ANR pf2.12		9.8		4	21⅞	21½	21½	+⅛
16¾	11⅛	ARX	.71t	5.1	13	49	14⅛	13¾	14	+¼
51⅜	32¾	ASA	2a	5.7		318	35¼	35	35⅛	−¼
18⅜	10½	AVX		2.3		108	14⅛	13⅞	14	−¼
32	22⅝	AZP	2.72	9.9	7	1070	27⅝	27⅛	27½	+⅛
47½	26⅜	AbtLb s			22	1861	46½	44½	45½	−⅝
32	19⅝	AccoWd .50		1.7	20	74	30	30	30	
24¾	10	AcmeC .40		3.2		112	12½	12¼	12½	
9¼	7	AcmeE .32b		4.0	20	15	8	8	8	−⅛
20¾	16⅞	AdaEx 1.90e		9.4		86	20¼	19⅞	20¼	+⅛
31¾	15	AdmMl .40		1.3	14	24	30¾	30½	30½	−⅜
20⅝	10¼	AdvSys .83t		4.6	17	123	18⅜	17⅞	18	−⅜
32⅞	22⅛	AMD				3039	25⅜	24⅝	24⅝	−⅝
12⅝	8¼	Adobe n				63	8⅞	8⅝	8⅝	
18⅜	14⅝	Adob pf1.84		11.		34	16½	16⅜	16½	
20¼	15¼	Adob pf2.40		13		13	19	18⅞	18⅞	−⅛
18⅜	7⅞	Advest .12a		.7	14	138	18⅛	17⅞	18	
66¼	42¼	AetnLf 2.64		4.3	11	11509	61½	60⅞	61	+1½
57½	52⅛	AetL pf4.28e		8.1		249	53⅛	52⅞	53	−⅛
101½	97¾	AetL pfC3.27e		3.4		4	97½	d97	97	−¼
69¼	29	Ahmns 1.38		2.2	7	2251	64½	63⅝	64	+½
23	9⅝	Ahmn wt				126	21⅝	21⅜	21½	+⅛

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
79¼	52½	ProctG	2.70	3.6	18	2836	76⅝	75¾	76¼	−½
17¼	12	ProRs s	.28	1.8	21	452	15⅞	15⅝	15⅝	−⅛
45½	33½	Proler	1.40	3.8		1	36½	36½	36½	+⅛
2⅝	1⅝	PruRC n				69	1¾	1⅝	1⅝	−⅛
8⅝	7⅝	PruRI	n.44e	5.7		51	7¾	7⅝	7¾	+⅛
24¼	17½	PSvCol	2	10.	13	1451	19¼	19	19¼	
26	19⅝	PSCol	pf2.10	9.4		5	22¼	22¼	22¼	−¼
12⅛	6⅞	PSInd			7	2281	11½	11⅜	11⅜	−⅛
32½	20¾	PSIn	pfA			z7320	32½	30¼	32½	+1½
10½	8¾	PSIn	pfB			z3880u	11¼	10½	11	+½
10½	8¾	PSIn	pfC			z4500u	10¾	10¼	10¾	+¼
76⅝	50	PSIn	pfF			z120	76½	75¼	75¼	+¼
94	56	PSIn	pfI			219	92½	91	92	−1
11⅝	4¼	PSvNH			4	120	8⅞	8¾	8¾	−⅛
25⅜	9¾	PSNH	pf			z70	20¾	20¾	20¾	
25⅝	10⅛	PNH	pfB			24	23½	23¼	23½	
33¼	15	PNH	pfC			8	29	28	28	−1
34⅝	13¼	PNH	pfE			9	26¾	26¾	26¾	−⅛
27¼	11¼	PNH	pfF			1	23⅝	23⅝	23⅝	−⅝
28⅞	12⅛	PNH	pfG			5	26	26	26	
37⅛	25½	PSvNM	2.92	9.0	10	359	32⅞	32⅝	32⅝	−⅛
38¾	26⅝	PSvEG	2.96	8.1	9	1243	36¾	36¼	36½	
51	35	PSEG	pf4.08	8.5		z10	48⅛	48⅛	48⅛	−¾
53	36	PSEG	pf4.30	9.0		z500	47¾	47¾	47¾	−1
66⅝	45	PSEG	pf5.28	8.7		z330	60½	58	60½	
26⅜	20¾	PSEG	pf2.43	9.3		47	26	25¼	26	+⅜
89½	67	PSEG	pf8.08	9.6		z10	84	84	84	−⅞
103¾	81½	PSEG	pf9.62	9.7		z200	99	99	99	
3⅞	2¼	Publick				43	3¼	3¼	3¼	−⅛
18⅞	10⅞	Pueblo	.16	.9	10	141	17	16⅞	17	−⅛

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Rate hopes dampened by bankers

A WARNING note on inflation and interest rates from the meeting of central bankers in Boston sent Wall Street markets spiralling downwards yesterday, *writes Terry Byland in New York.*

The stock market opened firmly but plunged sharply as bond market yields surged towards the 8 per cent range last seen in the middle of March.

Mr Paul Volcker, the Fed chairman, reportedly warned the Boston conference that US inflation levels remain under threat from trends in oil prices and wage levels. His words were apparently echoed by central bankers from Europe and Japan, who saw little scope for further falls in interest rates at present.

Wall Street interpreted these views as bearish for prospects for any easing in official credit policies. By midsession, yields on long-dated bonds had soared to 7.9[illegible] per cent, their highest since the bond market changed direction three months ago. However, bond prices tried to steady when crude oil futures fell sharply on the New York Mercantile Exchange.

At 3pm the Dow Jones industrial average was down 11.71 at 1,858.72.

Stock market turnover increased as the surge in bond yields triggered programmed selling of blue-chip stocks. Buyers backed away, leaving prices to react to the generally nervous mood.

A further blow to the market came from IBM, which fell $3⅛ to $149⅝ in hefty selling as worries over the outlook for second-quarter earnings resurfaced. Also clouding the marketplace were poor sales figures from the Detroit car manufacturers. General Motors lost $1⅛ to $77⅝, Ford $1⅛ to $53⅛ and Chrysler $⅞ to $35⅞.

Approval by the US Food and Drug Administration for commercial sale of interferon, the anti-cancer drug, enlivened the pharmaceutical sector. Schering-Plough, already producing the drug, gained $⅞ to $75⅝. While on the over-the-counter markets, Genentech, which has collaborated in Inteferon Development with Hoffmann-La Roche, gained $2½ to $83½, and Biogen, similarly linked with Schering-Plough, added $1 to $18¾.

A $1.6bn order from Cathay Pacific for its 747 Aircraft boosted Boeing $¾ to $57¾. Other Aerospace defence issues looked mixed as the Senate began debating the new tax reform bill. General Dynamics fell $1¼ to $79¼.

Renewed worries over interest rates failed to stem a recovery in insurance issues from the setback reflecting Florida's plan to reduce premiums. Aetna climbed $1⅜ to $61¼ in heavy turnover.

Banks stocks, too, were little affected by another surge in short-term and money market rates. Citicorp added $½ to $47⅞, and Chase Manhattan at $42 lost only $¼ of recent strength.

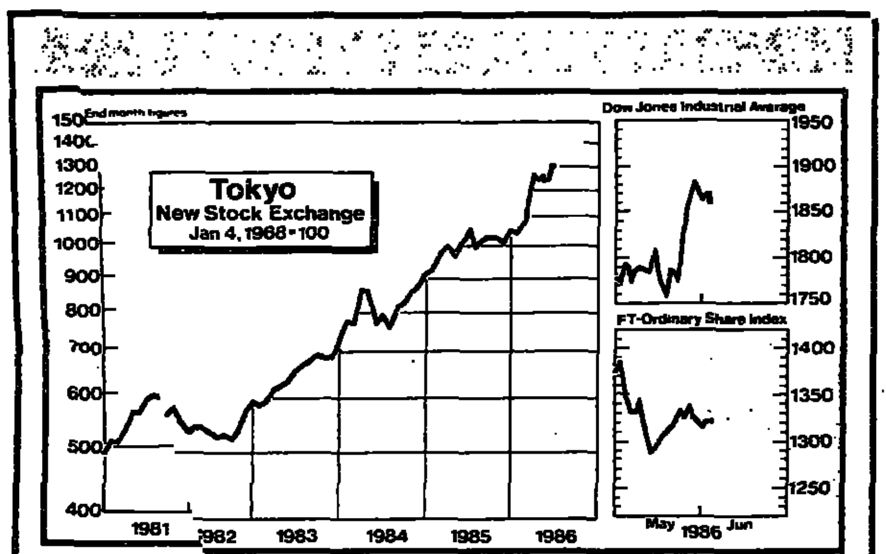
A jump of 2.9 per cent in gasoline stockpiles lowered crude oil futures and also stocks in the oil companies. Exxon dipped $1 to $59⅜, Atlantic Richfield $1½ to $53¼ and Chevron $⅞ to $40.

But airline issues drew no benefit from the downturn in oil futures. United at $57¾ lost $1 and American was $⅞ off at $57¼.

Other features included United Jersey Banks, down $3¼ at $43½ on its move to acquire Commercial Bancshares, up $2½ at $57¾. Brokerage recommendation lifted Maytag, the washing machine manufacturer, up $1¼ to $48½ and RJR Nabisco $⅛ to $48¾.

The credit markets sagged heavily as the session progressed. Treasury bill rates gained 13 basis points, putting three-month rates at 6.52 per cent as any remaining hopes for a cut in the federal discount rate fled out of the window.

Losses in bonds were extended to nearly two points, with the longer dates taking the most punishment as fears of inflation were revived.



STOCK MARKET INDICES

NEW YORK	June 4	Previous	Year ago
DJ Industrials	1,85[illegible]	1,870.43	1,310.93
DJ Transport	79[illegible]	797.88	651.88
DJ Utilities	185[illegible]	188.02	163.78
S&P Composite	243.5	245.51	190.04
LONDON	June	Prev	Year ago
FT Ord	1,320.6	[illegible]320.4	1,017.1
FT-SE 100	1,601.4	[illegible]602.2	1,336.6
FT-A All-share	787.18	[illegible]89.80	634.66
FT-A 500	869.08	[illegible]3.33	696.02
FT Gold mines	224.4	[illegible]5.9	444.3
FT-A Long gilt	9.23	[illegible]25	10.58
TOKYO			
Nikkei	16,802.75	16,669.[illegible]	12,583.3
Tokyo SE	1,304.38	1,302.[illegible]	991.17
AUSTRALIA			
All Ord.	1,223.3	1,220.5	961.2
Metals & Mins.	519.6	515.9	18.0
AUSTRIA			
Credit Aktien	118.40	120.41	[illegible]17
BELGIUM			
Belgian SE	3,608.81	3,618.52	2,371.1
CANADA			
Toronto			
Metals & Mins	2,155.6*	2,172.4	1,952
Composite	3,084.1*	3,096.4	2,752.9
Montreal			
Portfolio	1,576.77*	1,585.19	134.43
DENMARK			
SE	229.61	227.56	191.42
FRANCE			
CAC Gen	351.10	359.1	232.0
Ind. Tendance	131.80	134.7	84.1
WEST GERMANY			
FAZ-Aktien	627.72	628.93	457.73
Commerzbank	1,894.90	1,901.6	1,344.2
HONG KONG			
Hang Seng	1,756.67	1,757.91	1,643.35
ITALY			
Banca Comm.	790.10	820.88	302.77
NETHERLANDS			
ANP-CBS Gen	289.60	290.2	212.5
ANP-CBS Ind	281.70	283.2	174.6
NORWAY			
Oslo SE	353.38	352.08	343.87
SINGAPORE			
Straits Times	693.25	695.31	809.13
SOUTH AFRICA			
JSE Golds	–	1,227.0	1,037.1
JSE Industrials	–	1,161.4	963.0
SPAIN			
Madrid SE	181.53	184.04	81.77
SWEDEN			
J & P	2,426.75	2,373.78	1,347.00
SWITZERLAND			
Swiss Bank Ind	564.20	571.0	435.8
WORLD	June 3	Prev	Year ago
MS Capital Int'l	316.8	314.8	213.8

COMMODITIES

(London)	June 4	Prev
Silver (spot fixing)	342.55p	343.85p
Copper (cash)	£941.50	£934.50
Coffee (July)	£1,853.50	£1,882.50
Oil (Brent blend)	$11.95	$12.70

GOLD (per ounce)

	June 4	Prev
London	$341.45	$341.75
Zürich	$340.85	$342.35
Paris (fixing)	$343.38	$341.30
Luxembourg	$341.80	$341.90
New York (Aug)	$344.80	$345.80

CURRENCIES

	US DOLLAR		STERLING	
(London)	June 4	Previous	June 4	Previous
$	–	–	1.4835	1.4935
DM	2.278	2.274	3.38	3.395
Yen	171.35	171.55	254.25	256.25
FFr	7.2525	7.24	10.76	10.8175
SFr	1.8845	1.879	2.795	2.805
Guilder	2.5610	2.557	[illegible]30	3.8175
Lira	1,559	1,560	2,313	2,330
BFr	46.45	46.45	68.9	69.35
C$	1.3925	1.3935	2.0655	2.0785

INTEREST RATES

Euro-currencies (3-month offered rate)	June 4	Prev
£	9 11/16	9 13/16
SFr	4¾	4⅞
DM	4⅝	4 11/16
FFr	7½	7½
FT London Interbank fixing (offered rate)		
3-month US$	7 3/16	7 3/16
6-month US$	7¼	7 5/16
US Fed Funds	7⅛*	7 1/16
US 3-month CDs	6.85*	6.875
US 3-month T-bills	6.53*	6.58

US BONDS

Treasury

		June 4*		Prev	
		Price	Yield	Price	Yield
[illegible]	1988	99 4/32	7.607	99 9/32	7.52
7	1993	95 5/32	8.289	95 24/32	8.177
7¾	1996	93 12/32	8.368	94 10/32	8.22
7¼	2016	92 10/32	7.924	93	7.86

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	June 4* Day's change	Yield	Day's change
1–30	145.94	– 1.26	8.27	+0.18
1–10	140.30	– 0.86	8.12	+0.18
1– 3	14[illegible].02	– 0.25	7.71	+0.11
3– 5	14[illegible].82	– 1.01	8.40	+0.23
15–30	16[illegible]7	– 2.67	8.79	+0.17

Source: Merrill Lynch

Corporate	June 4 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	89¾	[illegible].95	90	6.72
SCBT South Central				
10⅞ Jan 1993	105	8.6[illegible]	106	8.04
Phibro-Sal				
8 April 1996	96.36	8.55	[illegible]6.36	8.55
TRW				
8¾ March 1996	100.953	8.6	101[illegible]	8.50
Arco				
9⅞ March 2016	103¾	9.49	104	9.37
General Motors				
8⅛ April 2016	91¼	8.97	93	8.79
Citicorp				
9⅞ March 2016	95¾	9.70	98	9.56

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	91–14	94–08	91–07	93–14
US Treasury Bills (IMM) $1m points of 100%				
June	93.49	93.62	93.48	93.61
Certificates of Deposit (IMM) $1m points of 100%				
June	93.18	93.20	93.18	93.22
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.87	92.94	92.83	92.88
20-year Notional Gilt £50,000 32nds of 100%				
June	123–03	123–24	123–00	123–04

* Latest available figures

LONDON

Fund-raising moves fail to hinder

MARKET SENTIMENT continued to firm in London yesterday despite the counter-attraction of the Epsom Derby which obviously restrained both attendance and business.

Confirmation of the deal between Dee Corporation and Associated British Foods left the former 7p lower at 245p and the latter 12p down at 334p.

Cash resources were also tested by Hanson Trust which placed 10m shares with some UK and US institutions. Therefore few funds were available for investment in other blue chips except for Reed International which rose on excellent annual profits. It ended up 78p at 922p.

The FT Ordinary share index edged 0.2 higher at 1,320.6.

Gilts bounded initially but eased slightly to end around ¼ higher on the day.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36–37

AUSTRALIA

MINING AND resource issues responded to the weaker local dollar to pull Sydney out of the trough of the past two sessions. Prices turned higher across the board as investors snapped up what they considered to be bargain prices stocks.

Golds gained from news that the right-wing of NSW's ruling Labour Party was opposed to a gold tax. Both Kidston and Central Norseman advanced 30 cents to A$5.90 and A$7.40 respectively, while Emperor added 10 cents to A$3.15 and Sons of Gwalia gained 15 cents to A$3.95.

Pioneer Concrete shed 5 cents to A$2.80 after placing A$79m in shares while its suitor, FAI Insurances, added 14 cents to A$8.70.

HONG KONG

THE LOWER TREND continued in Hong Kong yesterday in the absence of any fresh factors. The Hang Seng index drifted 1.24 lower to 1,756.67 and the Hong Kong index eased 0.18 to 1,094.17.

Cathay Pacific succumbed to technical selling and fell back 5 cents to HK$5.80.

Further speculation that Cable & Wireless may take a stake in Hongkong Telephone pushed the utility 10 cents higher to HK$11.80.

Elsewhere among utilities, China Light eased 10 cents to HK$15.70 and Hongkong Electric 5 cents to HK$8.90.

SINGAPORE

SOME EARLY profit-taking was countered by late buying in Singapore and prices ended mostly mixed.

Singapore Airlines was one of the most active stocks. The issue ended unchanged at S$6.75.

In other actives, Cold Storage rose 14 cents to S$3.06, Jack Chai-MPH advanced 17 cents to S$1.22 and Haw Par added 3 cents to S$2.68.

Fraser & Neave gave up 10 cents to S$6.70, National Iron 6 cents to S$3.46, Inchcape 6 cents to S$1.77 and Rothmans 16 cents to S$3.96.

Among banks, OCBC gained 15 cents to S$7.00, DBS 5 cents to S$6.10

SOUTH AFRICA

THE RAND continued to weaken and, combined with a firmer bullion price, most gold issues rose in Johannesburg yesterday.

Randfontein added R8 to its R10 rise of the previous session to end at R278 and Kinross added R2 to R45. Driefontein gained R1.25 to R58.50 and Buffels put on R2.50 to R30.

CANADA

THE DECLINE in Toronto continued in step with Wall Street.

Royal Bank of Canada, which reported higher second-quarter profit and increased its full-year loan loss estimate to C$950m from C$800m, eased C$[illegible] to C$31[illegible].

Banks were slightly higher in a mostly easier Montreal.

EUROPE

Stockholm climbs to fresh peak

THE FRESH peak attained in Sweden yesterday proved to be one of the few positive features in a weaker and more cautious Europe.

Stockholm sprinted to another high in heavy volume amid market speculation that changes to the capital gains tax regime were imminent. The Veckans Affarer All Share index firmed a further 7.2 to a record 828.7.

Electrolux returned to the top of the active list with a SKr 2 gain to SKr 281 following yesterday's SKr 2bn international stock issue in Europe, North America and the Far East.

Volvo was also active but moved against the trend with its SKr 2 fall to SKr 430 in a mild bout of profit-taking.

Asea registered a healthy SKr 6 gain to SKr 362, while Ericsson finished SKr 5 higher at SKr 270.

Fermenta added SKr 1 to SKr 167, while Pharmacia lost SKr 2 to SKr 221.

Frankfurt met with a heady dose of late bargain hunting after Tuesday's sharp fall. The midsession calculation of the Commerzbank index – down 6.7 to 1,894.9 – did not reflect the afternoon strength.

Some brokers now feel that the market has found a new support level, although unease persists over the June 15 elections in Lower Saxony where the ruling Christian Democratic Party is likely to meet stiff resistance.

The Government's creation of a new environment ministry – partly as a result of the Chernobyl disaster and as defence against criticism from the environmentalist Green party – was well received and utilities made broad gains. Veba added DM 9.20 to DM 280, RWE advanced DM 8 to DM 226, while VEW closed DM 2 stronger at DM 161.

Daimler managed a partial recovery from Tuesday's sharp decline with a DM 28 rise to DM 1,310, while Porsche gained DM 20 to DM 1,050.

Volkswagen, which is renegotiating its truck joint venture with MAN, slipped DM 1 to DM 537.

The bond market found inspiration from the overnight surge in the US credit markets. Longs added up to ¾ of a point with the decline of the dollar underpinning sentiment. Both tranches of the new federal loan stock added 25 basis points to 97.25 and 98.25, respectively, while the 6 per cent 1998 stock added 55 basis points to 100.05.

The Bundesbank bought a hefty DM 105m worth of domestic paper after buying DM 34.3m on Tuesday.

Amsterdam was mixed in moderate turnover. Internationals regained some confidence as Royal Dutch added Fl 2.40 to Fl 198.80 and Hoogovens firmed Fl 1.60 to Fl 114. Philips continued weaker with its 80-cent decline to Fl 56.10 and KLM dipped 40 cents to Fl 50.80.

Akzo, which announced the purchase of a UK chemical group, edged 10 cents lower to Fl 172.20, while aerospace group Fokker firmed Fl 1.30 to Fl 90.50.

German demand was evident for Nedlloyd, which left the shipping group Fl 7 higher at Fl 170.

Insurers were firm with Stad Rotterdam jumping Fl 4.50 to Fl 133.50 on its recent better-than-expected first-quarter figures.

Paris was still in the grip of a technical correction which left the broad market 2.17 per cent lower. Valeo fell FFr 11.50 to FFr 496.50 amid the De Benedetti management moves.

Brussels turned lower with utilities weak. Holding group Société Générale de Belgique lost BFr 20 to BFr 2,930

Zurich was easier with the weaker dollar and stop-loss selling depressing the broad market.

Milan fell with technical factors forcing the BCI index 3.9 per cent lower.

Oslo steadied with a 50 cent rise for Norsk Hydro at NKr 157.50 as Kvaerner slipped NKr 2.50 to NKr 133.

Madrid was lower in quiet trading

TOKYO

Institutions spur rise to record

INSTITUTIONAL investors and speculators bought large-capital issues to seek gains in Tokyo yesterday and the Nikkei average rallied to an all-time high, *writes Shigeo Nishiwaki of Jiji Press.*

The indicator leaped 133.21 to a record 16,802.75 in hectic trading of 1.175m shares compared with Tuesday's 834m. Gains led losses 447 to 419, with 119 issues unchanged.

Stocks sought for capital gains [illegible] the top four positions on the acti[illegible] Kawasaki Steel was the busiest [illegible] 130.02m shares, adding Y10 to Y18[illegible] lowed by Nippon Steel with 12[illegible] which rose Y5 to Y180. Nippon K[illegible] went up Y6 to Y152 on the third he[illegible] trading of 44.86m shares and Ishik[illegible] ma-Harima Heavy Industries Y[illegible] Y228, placing fourth with 37.67m.

Some biotechnology-related s[illegible] continued attracting investor int[illegible] Kuraray, whose new anti-cancer [illegible] will be put into clinical experim[illegible] shortly, spurted Y80 to Y2,150, whil[illegible] owa Hakko soared Y100 to Y1,930. [illegible] Milk Products jumped Y70 to Y890, [illegible] Brewery Y80 to Y1,520 and Ajino[illegible] Y80 to Y1,970.

The yen's firmness pushed down [illegible] blue chips. Matsushita Electric Indu[illegible] al lost Y30 to Y1,530 and Toyota M[illegible] shed Y30 to Y1,520. However, expe[illegible] tions of brisk demand for a newly de[illegible] oped throw-away camera pushed up [illegible] Photo Film Y220 to Y2,900. Oki Elec[illegible] also climbed Y27 to Y798.

Investors bought some car parts m[illegible] ers in the wake of a report that pl[illegible] and equipment investment by 11 [illegible] makers for the current fiscal year wo[illegible] total Y980bn, which would be an all-ti[illegible] high for the second consecutive year. [illegible] sin Seiki closed at Y1,090, advanc[illegible] Y94, while Yaskawa Electric finis[illegible] Y13 higher at Y527.

Reflecting the Government's moves [illegible] work out an overall development p[illegible] for the Tokyo Bay area, issues with m[illegible] sive real estate holdings there drew p[illegible] ularity. Nichirei increased Y19 to Y7[illegible] Onodo Cement Y23 to Y473 and Nipp[illegible] Suisan Y15 to Y460.

Constructions and other issues ben[illegible] iting from domestic demand expans[illegible] eased along with financial and ins[illegible] ance stocks.

Dealers bought government bond [illegible] tures in the wake of the first rally in [illegible] sessions in the New York bond mar[illegible] overnight. The cash bond market firm[illegible] as well.

The yield on the benchmark 6.2 p[illegible] cent government bond due in July 1[illegible] slipped below 5 per cent to 4.945 per ce[illegible] against Tuesday's 5.055 per cent a[illegible] that on the 5.1 per cent governme[illegible] bond maturing in March 1996 fell fro[illegible] 5.240 per cent to 5.010 per cent.

The bond price gain was unexpect[illegible] by many market participants. There [illegible] widespread doubt that buy orders w[illegible] be sufficient to meet the massive selli[illegible] anticipated to follow if yields drop to t[illegible] expected levels of 4.9 per cent for the [illegible] per cent bond and 5.0 per cent for the [illegible] per cent bond.